CHOLAMANDALAM DBS FINANCE LIMITED

(Originally incorporated as a public limited company under the name Cholamandalam Investment and Finance Company Limited on August 17, 1978. The name of the Company was changed to Cholamandalam DBS Finance Limited on April 12, 2006. For changes in our name and Registered and Corporate Office see "History, Business and Other Corporate Matters of the Company" on page 56 of this Letter of Offer)

Registered and Corporate Office: 'Dare House' No. 2, N.S.C Bose Road; Parrys, Chennai – 600 001; Tamil Nadu.
Tel: (+91 44) 25307172; **Fax:** (+91 44) 2534 6464; **E-mail:** choladbs-rights@choladbs.murugappa.com
Website: www.choladbs.com
Contact Person: Ms. P Sujatha, Company Secretary and Compliance Officer

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF THE COMPANY ONLY

LETTER OF OFFER

ISSUE OF 14,229,929 EQUITY SHARES OF Rs. 10 EACH FOR CASH AT A PREMIUM OF Rs. 130 PER EQUITY SHARE AGGREGATING UPTO Rs. 199.22 CRORES TO THE EQUITY SHAREHOLDERS OF CHOLAMANDALAM DBS FINANCE LIMITED ON RIGHTS BASIS IN THE RATIO OF THREE (3) EQUITY SHARES FOR EVERY EIGHT (8) EQUITY SHARES HELD ON THE RECORD DATE, i.e., SEPTEMBER 18, 2007. FOR EVERY ONE (1) EQUITY SHARE BEING ALLOTTED ON RIGHTS BASIS, THE ALLOTTEE WILL RECEIVE ONE (1) DETACHABLE WARRANT(S). THE ISSUE PRICE IS 14 TIMES THE FACE VALUE OF THE EQUITY SHARE.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to "Risk Factors" on page x of this Letter of Offer before making an investment in this Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on Bombay Stock Exchange Limited ("BSE"), National Stock Exchange of India Limited ("NSE") and the Madras Stock Exchange Limited ("MSE"). The Company has received "in-principle" approvals from BSE, NSE and MSE for listing the Equity Shares arising from this Issue vide their letters dated August 8, 2007, August 9, 2007 and August 13, 2007 respectively. For the purposes of this Issue, the Designated Stock Exchange is NSE.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
ENAM SECURITIES PRIVATE LIMITED 801, Dalamal Towers Nariman Point, Mumbai 400 021 Tel: (+91 22) 6638 1800 Fax: (+91 22) 2284 6824 Email: cdflrights@enam.com Website: www.enam.com Contact Person: Mr. Amit Maheshwari	**KARVY COMPUTERSHARE PRIVATE LIMITED** Plot No. 17 – 24, Vittal Rao Nagar,Madhapur, Hyderabad – 500 081 Tel: (+91 40) 23420815 -820 Fax: (+91 40) 23420814 Email: cholarights@karvy.com Website: www.karvy.com Contact Person: Mr. Murali Krishna

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
SEPTEMBER 28, 2007	OCTOBER 12, 2007	OCTOBER 29, 2007

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SECTION I: DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"Cholamandalam DBS Finance Limited" or "Cholamandalam - DBS" or "the Company" or "our Company" or "Issuer" or "we" or "us" or "our"	Cholamandalam DBS Finance Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at 'Dare House' No. 2, N.S.C Bose Road, Parrys, Chennai – 600 001.

COMPANY / ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the issue and the allotment of Equity Shares, pursuant to the Issue.
Allottee	The applicants to whom the Equity Shares with detachable warrants are being / have been allotted.
Articles or Articles of Association	Articles of Association of the Company
Auditors	Statutory Auditors of the Company, M/s. Deloitte Haskins & Sells; Chartered Accountants, having their office at 2nd Floor, Temple Towers, 672, Anna Salai, Nandanam, Chennai – 600 075.
Board or Board of Directors	Board of Directors of Cholamandalam - DBS, which term shall include a committee of the Board
Bankers to the Issue	HDFC Bank Limited
Capital or Share Capital	Share Capital of the Company
Chairman / Chairman of the Company	Refers to the chairman of the Board of Directors
Cap Price	The maximum price, at which the Company proposes to convert the warrants into Equity Shares, here in case is Rs. 275 per Equity Share,
DBS/ DBS Group	DBS Group Holdings Limited situated at No. 6 Shenton Way # DBS Building Tower 1, Singapore 068809 and is listed in Singapore.
DBS Bank	DBS Bank Limited situated at No. 6 Shenton Way # DBS Building Tower 1, Singapore 068809. DBS Bank is the wholly-owned subsidiary of DBS Group.
Designated Stock Exchange	NSE
Draft Letter of Offer	The Draft Letter of Offer dated July 23, 2007 filed with SEBI for its comments
Equity Share(s) or Share(s)	Equity Share of the Company having a face value of Rs. 10/- each unless otherwise specified in the context thereof
Financial Year or Fiscal or FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated
Issue/Offer	Issue of 14,229,929 Equity Shares of Rs. 10 each for cash at a premium of Rs. 130 per Equity Share aggregating up to Rs. 199.22 Crores to the equity shareholders of Cholamandalam DBS Finance Limited on rights basis in the ratio of three (3) Equity Share(s) for every eight (8) Equity Share(s) held on the Record Date, i.e., September 18, 2007. For every one (1) Equity Share being allotted on rights basis, the Allottees will receive one (1) detachable warrant(s). For more details, refer to section titled "Terms of the Issue" beginning on page 258 of this Letter of Offer.
Issue Closing Date	October 29, 2007
Issue Opening Date	September 28, 2007

Term	Description
Issue Price	Rs. 140 per Equity Share
Investors	The holder(s) of Equity Shares of the Company as on the Record Date, i.e., September 18, 2007 and Renouncees.
Lead Manager	Lead Manager to the Issue, in this case being ENAM Securities Private Limited
Letter of Offer	This Letter of Offer to be filed with the Stock Exchanges in relation to the Issue after incorporating SEBI comments on the Draft Letter of Offer.
Memorandum or Memorandum of Association	Memorandum of Association of the Company
Promoter(s)	Unless the context otherwise requires, refers individually to Mr. M V Murugappan, Mr. M V Subbiah, Mr. M A Alagappan, Mr. A Vellayan, Mr. M M Murugappan, Mr. M M Venkatachalam, Tube Investments of India Limited and DBS Bank Limited.
Promoter Group	Unless the context otherwise requires, refers to those companies, Individuals and entities mentioned in the section titled "Our Promoter - Promoter Group" on page 80 of this Letter of Offer.
Record Date	September 18, 2007
Registered Office	The Registered office of the Company situated at 'Dare House' No. 2, N.S.C Bose Road; Parrys, Chennai – 600 001; Tamil Nadu.
Registrar or Registrar to the Issue	KARVY Computershare Private Limited
Renouncees	Shall mean the persons who have acquired Rights Entitlements from Equity Shareholders
Rights Entitlement	The number of Equity Shares with detachable warrants that a Shareholder is entitled to in proportion to his/her shareholding in the Company as on the Record Date.
Shareholders Agreement	Agreement entered into between the Company, TII and DBS Bank dated June 16, 2005, and subsequently amended vide letter dated October 7, 2005.
Stock Exchange(s)	BSE, NSE and MSE where the Equity Shares of the Company are presently listed.
Subsidiaries	(i) DBS Cholamandalam Asset Management Limited (DCAM); (ii) DBS Cholamandalam Distribution Limited (DCDL); (iii) DBS Cholamandalam Trustees Limited (DCTL); and (iv) DBS Cholamandalam Securities Limited (DCSec).
Total Assets	Total balance sheet asset including miscellaneous expenditure
Total Business Assets	Sum of receivable under financing activity, repossessed automobile Assets, inter corporate deposits and interest accrued but not due on loans to borrowers.
Total Managed Assets	Sum of total assets and assets securitized / assigned
Warrant Exercise Period	The period commencing after 6 months from the date of allotment up to 18 months from the date of allotment. The warrant will get converted on or before the fixed date ("Notice Date, the outermost date for conversion") and would be made uniformly in respect of all the warrants outstanding.
Warrant Exercise Price	Lower of (a) 20% discount to the average six weekly closing prices before the date of the public notice on Designated Stock Exchange; or (b) 20% discount to average two weekly closing prices before the date of the public notice on Designated Stock Exchange; or (c) the Cap Price, being Rs. 275 per Equity Share.

INDUSTRY RELATED TERMS

Term	Description
AFC	Asset Finance Company
CAGR	Compounded Annual Growth Rate
CRAR / CAR	Capital to Risks Weighted Assets Ratio / Capital Adequacy Ratio
CV	Commercial Vehicle
Doubtful Asset	Refers to (a) a term loan, or (b) a lease asset, or (c) a hire purchase asset, or (d) any other asset, which remain a sub-standard asset for a period exceeding 18 months
ECS	Electronic Clearing Services
ELC	Equipment Leasing Company
EMI	Equated Monthly Installment
HCV	Heavy Commercial Vehicle
HPC	Hire Purchase finance Company
Hybrid Debt	Refers to a capital instrument, which possesses certain characteristics of equity as well as debt.
KYC	Know Your Customer
Loss Asset	Refers to (a) an asset which has been identified as loss asset by the NBFC or its internal or external auditor or by the RBI during the inspection of the NBFC, to the extent that it is not written off by the NBFC; and (b) an asset which is adversely affected by a potential threat of non- recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.
NOF	Net Owned Funds
NPA	Refers to Non Performing Assets as defined under Para 2 (1)(xiii) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, and includes – (a) an asset, in respect of which, interest has remained overdue for a period of 6 months or more; (b) a term loan inclusive of unpaid interest, when the installment is overdue for a period of 6 months or more or on which interest amount remained overdue for a period of 6 months or more; (c) a demand or call loan, which remained overdue for a period of 6 months or more from the date of demand or call or on which interest amount remained overdue for a period of 6 months or more; (d) a bill which remains overdue for a period of 6 months or more; (e) the interest in respect of a debt or the income on receivables under the heard 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of 6 months or more; (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of 6 months or more; (g) the lease rental and hire purchase installment, which has become overdue for a period of 12 months or more; (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset.
Owned Fund(s)	Refers to paid up equity capital, preference shares which are

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td></td><td>compulsorily convertible into equity, free reserves, balance in share premium account; capital reserve representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of assets; less accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any</td></tr>
<tr><td>RoNW</td><td>Return on Net Worth</td></tr>
<tr><td>Standard Asset</td><td>Means an asset in respect of which no default in repayment of principal or payment of interest is perceived and which do not disclose any problem nor carry more than normal risk attached to the business.</td></tr>
<tr><td>Subordinated Debt</td><td>Defined under Para 2 (1)(xvii) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as an instrument, which is fully paid up, unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or the without the consent of the supervisory authority of NBFC. The book value of such instrument is subjected to discounting as prescribed hereunder –
<table>
<tr><th>Remaining Maturity of the Instruments</th><th>Rate of Discount</th></tr>
<tr><td>Upto one year</td><td>100%</td></tr>
<tr><td>More than one year but upto two years</td><td>80%</td></tr>
<tr><td>More than two years but upto three years</td><td>60%</td></tr>
<tr><td>More than three years but upto four years</td><td>40%</td></tr>
<tr><td>More than four years but upto five years</td><td>20%</td></tr>
</table>
to the extent such discounted value does not exceed 50% of Tier I capital.</td></tr>
<tr><td>Sub-standard Asset</td><td>Means (a) an asset, which has been classified as non-performing asset for a period not exceeding 18 months; (b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or rescheduled terms.</td></tr>
<tr><td>Tier-I Capital</td><td>Refers to owned fund as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund.</td></tr>
<tr><td>Tier-II Capital</td><td>Includes the following (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of fifty five per cent; (c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one-and-one-fourth percent of risk weighted assets; (d) hybrid debt capital instruments; and (e) subordinated debt; to the extent the aggregate does not exceed Tier-I capital.</td></tr>
<tr><td>YTM</td><td>Yield To Maturity</td></tr>
</table>

CONVENTIONAL / GENERAL TERMS

Term	Description
Act or Companies Act	The Companies Act, 1956 and subsequent amendments thereto
Depositor	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time.
Depositories Act	The Depositories Act, 1996 and subsequent amendments thereto
Depository Participant	A depository participant as defined under the Depositories Act.
I.T Act	The Income Tax Act, 1961 and subsequent amendments thereto
Indian GAAP	Generally Accepted Accounting Principles in India
Non Residents	A person resident outside India, as defined under FEMA.
NRE Account	Non Residential External Account
NRO Account	Non Resident Ordinary Account
Overseas Corporate Bodies /OCBs	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are allowed to invest in this Issue only on receipt of prior RBI approval by the Company.
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
SEBI Act, 1992	Securities Exchange Board of India Act, 1992, and subsequent amendments thereto
SEBI DIP Guidelines	Securities Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI on January 19, 2000, read with subsequent amendments thereto
SIA	Secretariat of Industrial Assistance
SICA	Sick Industrial Companies (Special Provisions) Act, 1985, and subsequent amendments thereto
Securities Act	US Securities Act, 1933, and subsequent amendments thereto
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and subsequent amendments thereto
Wealth Tax Act	The Wealth Tax Act, 1957, and subsequent amendments thereto

ABBREVIATIONS

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards, as issued by the Institute of Chartered Accountants of India
Bn	Billion
BSE	The Bombay Stock Exchange Limited
CAF	Composite Application Form
CDSL	Central Depositories Services (India) Limited
CSO	Central Statistical Organisation
DP	Depository Participant

Term	Description
DSA	Direct Selling Agent
DSE	Designated Stock Exchange
EGM	Extra-ordinary General Meeting
ENAM / Enam	ENAM Securities Private Limited
EPS	Earning Per Share
FAS	Finance Against Shares
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 and subsequent amendments thereto
FERA	Foreign Exchange Regulation Act, 1973 now repealed by FEMA
FI	Financial Institution
FII(s)	Foreign Institutional Investor(s)
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GOI	Government of India
HUF	Hindu Undivided Family
IC	Investment Company
IRR	Internal Rate of Return
LC	Loan Company
Mn	Million
MSE	Madras Stock Exchange
MoU	Memorandum of Understanding
NBFC	Non Banking Financial Company
NR	Non Resident
NRI(s)	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P.A.	Per Annum
P/E Ratio	Price / Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
RBI	Reserve Bank of India
RNBC	Residuary Non Banking Company
ROC	Registrar of Companies, State of Tamil Nadu, located at Block No. 6, B Wing, II Floor, Shastri Bhawan, 26, Haddows Road, Chennai-600 034
SCB	Scheduled Commercial Banks
SEBI	Securities and Exchange Board of India
TII	Tube Investments of India Limited
US$ or USD or Dollars	Refers to the lawful currency of the United States of America

SECTION II: PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Letter of Offer is derived from our audited consolidated and unconsolidated financial statements prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines, included in this Letter of Offer.

Our fiscal year commences on April 1 and ends on March 31 of the next year.

In this Letter of Offer, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Letter of Offer will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Letter of Offer should accordingly be limited. The Company has not attempted to explain these differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on financial data.

All references to "Rs." or "INR" refer to Rupees, the lawful currency of India, "USD" or "US$" refer to the United States Dollar, the lawful currency of the United States of America, and the words "Lakh" or "Lac" mean "100 thousand" and the word "million" means "10 lakhs" and the word "crore" means "10 million" or "100 lakhs" and the word "billion" means "1,000 million" or "100 crores". Unless stated otherwise, throughout this Letter of Offer, all figures have been expressed in lakhs.

Market and industry data used in this Letter of Offer has been obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent source.

SECTION III: FORWARD LOOKING STATEMENTS

This Letter of Offer contains words or phrases such as "will", "aim", "is likely to result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward looking statements".

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to –

(i) General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
(ii) Increasing competition in or other factors affecting the industry segments in which our Company operates
(iii) Amount that the Company is able to realize from the borrowers;
(iv) Changes in laws and regulations relating to the industries in which we operate;
(v) Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans;
(vi) Our ability to meet our capital expenditure requirements;
(vii) Fluctuations in interest rates and operating costs;
(viii) Our ability to attract and retain qualified personnel;
(ix) Changes in political and social conditions in India, the monetary policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
(x) The performance of the financial markets in India; and
(xi) Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, please refer to the chapters titled "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Letter of Offer respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Lead Managers, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SETION IV: RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risk factors actually occur, our business, results of operations and financial condition could suffer and the price of our Equity Shares and the value of your investment in our Equity Shares could decline. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below.

This Letter of Offer also includes statistical and other data regarding the Indian financial services industry. This data was obtained from industry publications, reports and other sources that the Lead Manager and we believe to be reliable. Neither the Lead Manager nor we have independently verified such data.

RISKS RELATING TO OUR OBJECTS

1. ***The objects of the Issue have not been appraised by any bank or other financial institution and we have not entered into any definitive agreements to use the net proceeds of the Issue.***

   The objects of this Issue have not been appraised by any bank or financial institution. In the absence of such independent appraisal, the requirement of funds raised through this Issue is based on the Company's estimates. The Company is carrying out its businesses as per the conventional method of budget and estimates. The deployment of funds raised through this Issue will not be monitored by any independent monitoring agency. Our audit committee shall monitor utilisation of funds. We intend to rely on our internal system and control to monitor the use of such proceeds. There can be no assurance that we will achieve our stated objectives for raising funds.

INTERNAL RISK FACTORS AND RISKS RELATING TO OUR BUSINESS

1. ***We are involved in a number of legal proceedings***

   We and certain persons forming part of our Promoter Group are involved in various civil, consumer and tax related litigations which are at different stages of adjudications in various forums. The amounts claimed in these proceedings against us have been classified in our financial statements as contingent liabilities to the extent ascertainable. Should any new developments arise, such as a change in Indian law or rulings against us, we may need to make provisions in the financial statements which could increase our expenses and liabilities.

   We are involved in litigations for a variety of reasons, which generally arise when in the usual course of business we seek to recover our dues from borrowers who default in payment of the loans or customers seek claims against us during the process of recovery of our dues or for other service related issues. For details of litigations involving the Company, please see "Outstanding Litigations and Defaults" on page 221 of this Letter of Offer.

   We have 35 criminal proceedings pending against us. The impact of these litigations cannot be quantified.

   Outstanding Litigations filed against the Company, the Directors, the Promoters and group companies are as follows –

   (i) *Against the Company*

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1	Civil	171	Unascertainable
2	Consumer	146	Unascertainable
3	Criminal	35	Unascertainable
4	Labour	3	Unascertainable
5	Income Tax Cases	8	154.2
6	Interest tax	2	18.26
7	Sales tax appeals	16	450.01
Total No. of Cases		**381**	**622.47 (as far as quantifiable)**

(ii) *Against the Directors*

The Directors of the Company (in their capacity as Directors) have been made parties in certain cases filed against the Company. The cases have been discussed under the heading "Cases filed against the Company" under section titled "Outstanding Litigations and Defaults" beginning on page 221 of this Letter of Offer.

(iii) *Against Promoter*

(a) Tube Investments of India Limited

S. No	**Type of Case**	**Number of Cases**	**Amount Involved** (in Rs. Lakhs)
1.	Income Tax	22	2,724
2.	Excise	4	128
3.	Sales Tax	52	5,665
4.	Labour	29	Unascertainable
5.	Others (civil)	5	6.3 (as far as quantifiable)
TOTAL		**112**	**8,523.3 (as far as quantifiable)**

(iv) *Against Promoter Group*

(a) Carborundum Universal Limited

S. No	**Type of Case**	**Number of Cases**	**Amount Involved** (in Rs. Lakhs)
1.	Excise	24	82.0
2.	Service Tax	4	85
3.	Sales Tax	24	223
4.	Property Tax	2	67
5.	Income Tax	17	901
6.	Civil cases	4	584
7.	Labour	47	Unascertainable
8.	Motor Vehicles Accident Cases	8	34.3
9.	Other civil cases	5	Unascertainable
TOTAL		**135**	**1,976.3 (as far as quantifiable)**

(b) Coromandel Fertilizers Limited

S. No	**Type of Case**	**Number of Cases**	**Amount Involved** (in Rs. Lakhs)
1.	Excise	5	47.1
2.	Income tax	1	290
3.	Sales Tax	31	262.3
4.	Labour	40	Unascertainable
TOTAL		**77**	**599.4 (as far as quantifiable)**

(c) Godavari Fertilisers and Chemicals Limited

S. No	**Type of Case**	**Number of Cases**	**Amount Involved** (in Rs. Lakhs)
1.	Income Tax	2	932.2
2.	Sales Tax	9	329.3
3.	Labour	10	Unascertainable

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
4.	Consumer cases	1	Unascertainable
5.	Cases under Fertilizers Control Act	9	Unascertainable
6.	Others (civil)	7	789.2
TOTAL		**38**	**2,050.7**

(d) New Ambadi Estates Private Limited

S. No	Type of Case	Number of Cases	**Amount Involved**
1.	Labour	1	Unascertainable
2.	Land Disputes	4	Unascertainable
3.	Income Tax*	4	31.3
TOTAL		**9**	**31.3 (To the extent ascertainable)**

* these cases were pending against New Ambadi Investments Private Limited, which was recently merged with New Ambadi Estates Private Limited.

(e) Parry Agro Industries Limited

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Income Tax	14	50
2.	Sales Tax	1	1.8
3.	Excise	1	5.8
4.	Labour	62	308.1 (as far as quantifiable)
5.	Land disputes	26	Unascertainable
6.	Others	1	93.8
TOTAL		**105**	**459.5 (as far as quantifiable)**

(f) Prodorite Anticorrosives Limited

S. No	Type of Case	Number of Cases	**Amount Involved**
1.	Labour	1	Unascertainable
TOTAL		**1**	**Unascertainable**

(g) Sterling Abrasives Limited

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Income Tax	2	235.4
2.	Sales Tax	2	18
3.	Excise	3	1.9
4.	Labour	12	Unascertainable
TOTAL		**19**	**255.3 (as far as quantifiable)**

(h) Cholamandalam MS General Insurance Company Limited

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Income tax	2	5.2
2.	Sales Tax	1	48
3.	Motor Accident cases	2,609	2,640
4.	Consumer cases	131	127.3
TOTAL		**2,743**	**2,820.5**

(i) EID Parry (India) Limited

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Income tax	9	52.6
2.	Sales Tax	30	56.3
3.	Civil	1	3.12
TOTAL		**40**	**112.02**

(j) Yelnoor Khan Group of Estates

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Labour	4	1.49
2.	Civil	3	Unascertainable
TOTAL		**7**	**Rs. 1.49 (as far as quantifiable)**

(k) Ambadi Enterprises Limited

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Income tax	2	12.30
2.	Excise	1	1.52
TOTAL		**3**	**13.82**

In addition to the above, Ambadi Enterprises Limited owes an amount of approximately Rs. 1.8 lakhs to the Haryana Urban Development Authority as statutory dues towards external development charges.

(iv) *Against Subsidiaries*

(a) DBS Cholamandalam Securities Limited

S. No	Type of Case	Number of Cases	**Amount Involved** (in Rs. Lakhs)
1.	Income tax	3	809.1
TOTAL		**3**	**809.1**

SEBI vide an Order dated January 27, 2005 directed that the certificate of registration of DBS Cholamandalam Securities Limited be suspended for a period of two months for acceptance of payment through cheques from third parties for purchases made by clients. DBS Cholamandalam Securities Limited had filed an appeal against the said order before Securities Appellate Tribunal (SAT). SAT revised the suspension order of SEBI to a mere warning.

For more details, please see the section entitled "Legal and other Information - Outstanding Litigation" on page 221 of this Letter of Offer.

Neither the Company nor any of the group companies / firms mentioned above warrant that they will be successful in any of the cases initiated against them. If any of the cases pending is decided against the companies involved, it may have a material adverse effect on the businesses, financial condition and results of operations of the respective company.

2. ***Our business is vulnerable to interest rate risk and volatility in interest rates which could adversely affect our income from our operations, our financial performance and adversely affect our profitability.***

Income from financing activity net of finance charges constituted 51.28% of our total income for Fiscal 2007. An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets shall result in a net decline in our income from financing activity. Furthermore, in the event of rising rates our customers who usually pay a fixed interest rate may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans with us if they are able to switch to more

competitively priced loans offered by our competitors. In addition, potential customers may be deterred from entering into any financing arrangements in an increasing interest rate scenario. Any inability on our part to retain or attract customers as a result of rising interest rates may adversely affect our earnings in future periods.

Interest rates are volatile and are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced volatility which may adversely affect our short term borrowing costs and consequently our profits.

3. ***We have been facing competition, particularly from the banking sector and our growth will depend on our ability to compete effectively***

In personal loans business we play an active role in providing credit to borrowers who are currently dependent on unorganized lenders for their financing needs. However, several foreign banks in India and Indian banks have over the last few years entered retail lending in a focused manner, increasing the competition in this segment. As the banks have access to lower cost funds, wider network and greater resources than we do, our performance would be dependent on our ability to maintain low cost of funds and our ability to provide effective and quick service to our customers. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans.

We compete on the basis of a number of factors, including execution, depth of product and service offerings, innovation, reputation and price. Our competitors may have advantages over us, including, but not limited to:

- Substantially greater financial resources;
- Longer operating history than in certain of our businesses;
- Greater brand recognition among consumers;
- Larger customer bases in and outside India; or
- More diversified operations which allow profits from certain operations to support others with lower profitability.

While we believe that we have historically been able to offer competitive interest rates for our loans, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer the same at rates that are lower than ours.

Growing competition may result in a decline in our market share, which may reduce our income and profits. In such a situation we are not certain of retaining our customers and may also lose potential customers to such competitors. This may have an adverse impact on our business, our future financial performance and the price of our equity shares.

4. ***Our growth will depend on our ability to develop our brand and failure to do so will have a negative impact on our ability to compete in this industry.***

We believe that continuing to build our brand, particularly in our new businesses, like personal loan and home equity will be critical to achieving widespread recognition of our services. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide high quality services. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand. If we fail to promote and maintain our brand, our business, financial condition and results of operations could be adversely affected.

5. ***We are substantially dependent on vehicle finance business***

Our vehicle finance business contributed 59.25%% and 75.26% of our total income for the Fiscal 2007 and Fiscal 2006, respectively. Although our strategy is to actively grow our other lines of business including personal loan, corporate and mortgage finance and home equity loans, our vehicle finance business will continue to constitute a significant portion of our revenues and operating profit and any lack of demand in automobile sector or decline in our vehicle finance business will have a material adverse affect on our financial condition and operating results and may in addition hamper the Company's future growth.

6. ***Our growth will depend on our continued ability to access funds at competitive rates.***

With the growth of our business, we are increasingly reliant on funding from the debt markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors including our ability to maintain our credit ratings. While our borrowing costs have been competitive in the past due to our ability to structure innovative debt products, credit rating and the quality of our asset portfolio, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. This may adversely impact our business, our future financial performance and the price of our Equity Shares.

7. ***The value of our collateral may decrease or we may experience delays in enforcing our collateral when our customers default on their obligations to us, which may result in failure to recover the expected value of collateral and adversely affect our financial performance.***

All of our loans to customers except personal loans are secured. The secured loans approximately account for 78.22% of the total receivables under the financing activity. Although we seek to maintain a collateral value to loan ratio of more than 100%, for our secured vehicle finance loans, we may not be able to realize the full value of our collateral as a result of declining price of second hand vehicles. Further, any delay in enforcing collateral (due to delays in an enforcement proceedings before Indian courts or otherwise) could expose us to potential losses. Any such losses and/or delays could adversely affect future financial performance and the price of our Equity Shares.

8. ***Due to lack of independent and credible source, we depend on the customers / third parties for accuracy and completeness of information about customers.***

The Company uses the services of Credit Information Bureau of India Limited ("**CIBIL**") for ascertaining the credit history of the customers for certain product lines. In deciding whether to extend credit or enter into other transactions with the customers and counter parties, the Company largely relies on information furnished to it by or on behalf of its customers, including the financial information, based on which it performs the credit assessment. The Company may also rely on certain representations as to the accuracy and completeness of that information and the verification of the same by outsourced agencies. Further, any changes in this information may not be made available to us nor may the information that we have gathered be sufficient for completely assessing the risk profile of the customer. Our financial conditions and result of operational system could be negatively affected by relying on financial information or other information that may be materially incorrect or incomplete or misleading. Further, our loan appraisal procedure involves minimum documentation to assist in speedy loan approval. Incomplete information regarding creditworthiness of customers may expose us to a risk of fraud. Our financial condition and results of operations could be negatively affected by relying on information that may not be true or materially misleading and future financial performance and the price of our Equity Shares may be adversely affected.

9. ***We are subject to certain restrictive covenants in our loan / debentures documents, which may restrict our operations and ability to grow and may adversely affect our business.***

We have entered into certain debenture trust deeds and loan agreements in respect of our borrowings, which contain certain restrictive covenants or require us to obtain approval from the trustee or the lender, as the case may be, for disposing of (including creating any charge on) specified assets, undertaking any merger or reorganisation, declaring dividends in certain circumstances, amending our memorandum and articles of association in certain circumstances, making substantial changes to the general nature or scope of our business, incurring or assuming any additional debt in certain circumstances, changing our capital structure, reducing our share capital, prepaying any long-term debt in certain circumstances and/ or any change in our management. Such restrictive covenants may restrict our ability to obtain credit, or undertake any changes in our business structure even though such changes may be in our interest.

10. ***Our inability to grow further or succeed in personal loan and home equity may adversely affect our business.***

We are relatively new entrants in certain business, such as personal loans and home equity. While we anticipate continued demand in this area we cannot assure that these portfolios will continue to grow as expected. Further, we are not certain that we would be successful in any of our new initiatives which we may undertake to grow our business. Our inability to grow further or succeed in new businesses may adversely affect our business, our future financial performance and price of our Equity Shares.

11. ***Any change in the market value of the shares given as collateral would adversely affect our business.***

Approximately 10% of the loan amount provided by the Company under corporate and mortgage business is secured by way of collateral over shares. The shares so secured by way of collateral are listed and subject to fluctuations witnessed by the stock market. While the collateral levels are pegged at over 1.5 times the loan amount, any significant fall in the stock market could adversely affect the value of the collaterals.

12. ***We are subject to risks relating to our Direct Selling Agents***

We deliver our products and services through Direct Selling Agents (DSAs) appointed by us. As of March 31, 2007, we have over 500 Direct Selling Agents operating all over India. Our DSAs receive strong support in the form of marketing support, training, back office process, as well as the ability to use the 'Cholamandalam DBS" brand name. We enter into contractual arrangement with each DSA. In the event of termination of the agreements with any of these DSA for any reasons whatsoever, we could lose the business handled through the DSA. In addition, the Company may suffer reputational damage if a DSA were not to conduct its business in accordance with good practice.

13. ***We were unable to meet with our Promise vs. Performance obligations in relation to our past issues / offerings.***

The Company had made a Rights Issue of 4,460,085 new equity shares of Rs.10 each at a premium of Rs. 20 per share in March 1993. The Company had projected a Total Income Rs.3300 Lakhs for FY 1993, but achieved a Total Income of Rs.3191 Lakhs for the period, a shortfall of Rs.109 Lakhs

We made a rights issue in January 1995, wherein 42,49,900 Equity Shares of Rs. 10 each for cash at a premium of Rs. 45 per Share aggregating to Rs, 23,37,44,500 and a public issue in January 1995 of 42,49,900 equity shares of the face value Rs. 10 each per equity share for cash at a premium of Rs. 90 per share aggregating Rs. 42,49,90,000. In the letter of offer / prospectus filed in relation to the rights issue and public issue respectively, the Company has projected a PAT of Rs. 1,645 lakhs, Rs. 2,490 lakhs and Rs. 2,990 lakhs for the FY 1995, 1996 and 1997 respectively. There was a shortfall in the actual performance of Rs. 26 lakhs, Rs. 436 lakhs and Rs. 780 lakhs for the respective years.

The Company had also made a rights issue of 8,434,113 new equity shares of Rs.10 each at a premium of Rs. 25 per share in March 2003. Since the promised future performance of the Company was not presented in the offer document, a comparison of the Company's actual performance vis-à-vis the projections made in the offer document is not possible.

Further, in March 2004, the Company came out with another rights issue of 1,26,49,517 Equity Shares of Rs. 10 each for cash at a premium of Rs. 45 per equity share aggregating to Rs. 69.57 crores. The objects of the issue were to augment the long term resources of the Company so as to enable the Company to tap opportunities in the financial services sector, enhance Tier I capital of the Company, improve the capital adequacy ratio of the Company and to meet the issue expenses.

For Promoter / Promoter Group companies:

- Carborundum Universal Ltd. ("CUMI"): CUMI had made a Rights Issue of 15% secured partly convertible debentures in 1992. In the letter of offer, CUMI had projected a profit after tax of Rs. 833 lakhs , Rs. 1301 lakhs and Rs.1392 lakhs for the FY 1993, 1994 and 1995 respectively. There was a shortfall in the actual performance of Rs. 190 lakhs , Rs. 295 lakhs and Rs. 70 lakhs for the respective years.

- EID Parry (India) Ltd. ("EID") made a rights issue of 3,537,200 15% party convertible debentures ("PCD") of Rs. 150 each aggregating to Rs. 5305.8 lakhs in August 1993. In the letter of offer, EID had projected sales of Rs. 50,355 lakhs, Rs. 56,239 lakhs, Rs. 63,861 lakhs and Rs. 70,366 lakhs for the FY 1994, FY 1995, FY1996 and FY1997 respectively. There was a shortfall in the actual performance of Rs. 3,726 lakhs and Rs. 2,298 lakhs for FY 1994 and FY 1995 respectively.

For more details on our promise versus performance please refer to the section titled "Promise v. Performance" beginning on page 250 of this Letter of Offer.

14. ***Our business would suffer if we are unable to maintain the quality of our asset portfolio.***

We have been able to maintain the quality of our asset portfolio in the past on the basis of internal controls and policies. The RBI norms for classifying an asset as a non-performing asset in case of a loan, are where the installment / interest has remained overdue for a period of six months or more and in case of hire purchase

finance / lease asset, where the installment / rental has become overdue for a period of 12 months or more. As of March 31, 2005, 2006 and 2007, our gross NPA was Rs. 2747 lakhs, Rs. 2356 lakhs and Rs. 2293 lakhs (excluding Rs. 3812 lakhs in respect of assets deemed to be sub-standard - for 2006-07) respectively, while our net NPA were Rs. 2,277.79 lakhs, Rs. 1,241.47 lakhs and Rs. 1,376.20 lakhs (excluding net deemed Sub-standard assets of Rs 3,430.80 lakhs) i.e., 1.50%, , 0.65%and 0.41%of total business assets.

We expect the size of our loan assets to continue to increase in the future as we expand our branch network in India and offer new products and going forward, we may have additional NPAs. In addition, whilst we shall continue to provide loans in the future and increase our loan portfolio, we believe that our provisions for non-performing assets are adequate to cover identified losses in our asset portfolio.

If we suffer from increases in the level of final credit losses, or in the event we are not able to maintain the asset quality this may result in increase in the level of non- performing assets, which would adversely affect our future financial performance.

15. ***Our success in a large part depends upon our management team and skilled personnel and our ability to attract and retain such persons.***

Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. The success and growth of our business will depend on our ability to identify, attract, hire, train, retain and motivate skilled personnel as we continue to grow.

Competition for qualified professional personnel at our corporate and branch offices is intense as these personnel are in limited supply. Our inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business, future financial performance and the price of our Equity Shares.

16. ***Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.***

As of August 31, 2007, we had a total of 1,239 employees on rolls of the Company. Even though since the incorporation of the Company, we have not suffered any disruptions in our operating due to any strikes, work stoppages or other disputes with out employees, there can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business, financial condition and results of operations. Further, efforts by labour unions to organise our employees may divert management's attention and increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes, which could adversely affect our business, financial condition and results of operations.

17. ***Our inability to grow further or succeed by financing retail products may adversely affect our business.***

We are relatively new entrants in the field of personal loans and home equity. While we anticipate continued demand in this area we cannot assure that these portfolios will continue to grow as expected. Further, we are not certain that we would be successful in any of our new initiatives which we may undertake to grow our business. Our inability to grow further or succeed in financing such new business segments may adversely affect our business, our future financial performance and price of our Equity Shares.

18. ***Any inability to manage our growth could disrupt our business***

We have experienced high growth in recent periods. Our disbursements across our business operations have grown at a CAGR of 36.89% from Fiscal 2004 to Fiscal 2007. However, our future growth plans can place significant demands on our management and other resources. There can be no assurance that we will be able to execute our strategy on time and within the stipulated budget or that we will meet the expectations of the customers and achieve our planned growth.

19. ***There are operational risks associated with our industry which may have an adverse impact on our performance.***

We are exposed to many types of operational risk, including the risk of fraud or misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record keeping errors or errors resulting from faulty system. We also outsource some of our key functions such as debt recovery,

repossession of the assets, loan application processing and credit verification. In addition, there is a risk that our employees, contractors or employees of our contractors might disclose or misappropriate confidential information relating to our customers, causing a breach of applicable confidentiality and non-disclosure agreements.

Given the large volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. We also face the risk that our control and procedure may prove inadequate or may be circumvented thereby causing delays in detection or errors in information.

Although we currently maintain and continuously upgrade our systems and controls to keep operational risks to a minimum, there could be no assurance that we will not suffer loss from operational risks in the future that may be material in amount.

20. ***We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral and adversely affect our financial performance.***

All of our loans to customers other than personal loans are secured. We generally have a first ranking charge on the assets so secured. Although we seek to maintain a collateral value to loan ratio of at least 100% for our secured loans, technological obsolescence, elapse of time or the other risks described above could result in a fall in collateral values. Additionally, the realizable value of our collateral in liquidation may be lower than its book value.

Any failure to recover the entire value of the collateral security could expose us to further loss. Any such additional loss could adversely affect our business and financial performance and the price of our Equity Shares.

Further, the ability of our borrowers to perform their obligations will depend primarily on the financial condition of the borrower. If these borrowers' financial condition were to be adversely affected and they are unable to meet their obligations, the value of the underlying assets available to repay the loans could be or may become insufficient to pay the full principal and interest on the loans, which could expose us to significant losses.

21. ***Any disagreements among our Shareholders may have an adverse effect on our business and results of operations.***

Presently, 37.48% of our paid up Share Capital is held by entities belonging to the Murugappa Group, and 37.48% is held by DBS Group through its wholly owned subsidiary DBS Bank Limited, Singapore.

Any disputes between these two major shareholders/promoters could adversely affect all shareholders. If there are any disagreements between the two regarding our business and operations, there is no guarantee that they will be resolved in a manner that will be in our best interest.

In such event, it may have a material adverse effect on our business, financial condition and results of operations.

22. ***Our Promoters will collectively continue to hold a substantial portion of our Equity Shares after the Issue and can therefore determine the outcome of shareholder voting.***

As on date our Promoters collectively hold 74.96% of our Equity Shares. Consequently, our Promoters exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote pursuant to the terms of a Shareholders' Agreement between, us, TII and DBS Bank.

Further, after completion of the Issue, assuming that our Promoters subscribe to only their entitlement, they will continue to collectively hold at least 74.96% of our Equity Shares.

So long as our Promoters own a substantial portion of our Equity Shares, they will continue to control the composition of our Board of Directors; our business strategy and policies; any determinations with respect to business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing.

For more details on the Shareholders Agreement, please see the section titled "History and Certain Corporate Matters" on page 56 of this Offer Letter.

23. ***Our registered office and other premises from which we operate are not owned by us.***

We neither own the premises from which our registered office is functioning nor do we own the premises at which most of our offices are located. The premises from which our Registered Office functions is owned by our Promoters. We mostly operate from leased / licensed premises in respect of which we have entered into various lease / licence agreements for varying tenures.. If these leases are not renewed or renewed on terms and conditions which are unfavourable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business, financial condition and results of operations.

24. ***We have not registered any trademarks, and our failure to protect our intellectual property rights may adversely affect our business.***

We conduct most of our business under the trademark of "Cholamandalam DBS". We have been licensed the rights for using the trademark "Cholamandalam", and "DBS" from our promoters Tube Investment of India Limited and DBS Bank Limited respectively, through license agreements dated January 27, 2006. Our licenses to use these trademarks co-exist with the shareholders agreement. We operate in a competitive environment where generating brand recognition is a significant element of our business strategy. In the event that these license agreements are terminated or our rights to use these trademarks or that of Tube Investment of India Limited or that of DBS over the ownership of their respective trademarks are challenged and we and / or Tube Investment of India Limited / DBS fail to successfully defend the challenge and trademark rights with respect to their logos, we would need to change our logo.

Any such change could require us to incur additional costs and may adversely impact our business, financial condition and results of operations.

25. ***Certain of our Promoter Group companies and Subsidiaries have incurred significant losses in the past***

The following Promoter Group companies have incurred losses (after tax) as set forth in the table below –

(In Rupees Lacs)

S. No	Promoter Group company	For the year ended		
		March 31, 2007	March 31, 2006	March 31, 2005
1.	Ficom Organics Limited	*	-1496.5	-110.5
2.	Rasilah Investments Limited	*	-0.09	-0.03
3.	Coromandel Bathware Limited	0.10	-21.61	-0.65
4.	Thangamalai Tea Factory Private Limited	-2.05	-7.36	-2.46
5.	Cholamandalam MS General Insurance Company Limited	1248.69	-31.20	-33.40
6.	Presmet Private Limited	Not available**	17.34	-0.98
7.	Kadamane Estates Company	57.98	-2.50	-2.20

* In FY 2007 Ficom Organics Limited and Rasilah Investments Limited merged with Coromandel Fertilizers Limited. Hence, no separate accounts have been prepared for these two companies for the year ended March 31, 2007.

** The financial year of Presmet Private Limited ends on June 30 every year. As on date of this Letter of Offer the financials of Presmet Private Limited for the year ended June 30, 2007 are under preparation.

The following Subsidiaries have incurred losses after tax as set forth in the table below –

(In Rs. Lakhs)

S. No	Subsidiary company	For the year ended		
		March 31, 2007	March 31, 2006	March 31, 2005
1.	DBS Cholamandalam Asset Management Limited	-673.79	-249.69	-301.17
2.	DBS Cholamandalam Distribution Limited	234.42	180.24	-93.27

26. ***We have certain contingent liabilities***

Our contingent liabilities as on March 31, 2007 are as set out below.

(Rupees in Lakhs)

Particulars	As of March 31, 2007
Outstanding Counter Guarantees provided to Banks	18.18
Income tax and interest tax issues pending	151.70
Sales tax issues pending before appellate authorities in respect of which the Company is in appeal	450.01
Disputed claims against the Company lodged by various parties pending litigation (to the extent quantifiable)	224.82
TOTAL	**844.71**

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

We have entered into certain transactions with related parties, including our Promoter Group entities. For more details, please see the section entitled "Related Party Transactions" on page 98 of this Letter of Offer.

28. ***Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business.***

Our insurance policies currently consist of general fire, damage and flood coverage towards assets. We also have policies covering risks towards fidelity, cash in safe, cash in transit and Directors and Officers liability insurance policy. There can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer any loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow could be adversely affected. For details of our insurance cover, please refer to the section titled " Our Business" beginning on page 41 of this Letter of Offer.

29. ***Our growth requires additional capital, which may not be available on terms acceptable to us.***

Our business requires continuous input of capital, in order to ensure the minimum capital adequacy levels prescribed by RBI. There can be no assurance that any such further capital infusion into the Company would be on terms which would be acceptable to us. Such a situation would have a material adverse affect on our business, financial condition and results of operations.

EXTERNAL RISK FACTORS

1. ***A slowdown in economic growth in India could cause our business to suffer.***

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy especially across south India and western India which are our main markets. Any slowdown in the Indian economy would adversely affect our business, including but not limited our ability to grow our asset portfolio, the quality of our assets, and our ability to implement our strategy. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture or various other socio-political factors affecting the growth of industrial, manufacturing and services sector. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is on a rise while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business.

The Indian economy has shown sustained growth over the last few years with real GDP growing at 9.2% in the fiscal 2007, 9.0% in the fiscal 2006 and, 6.5% in fiscal 2005. Agriculture is the most important sector of the Indian economy any slowdown in the growth of the agricultural sector would adversely impact the growth of Indian economy which would adversely affect our performance, the growth of our business including our ability to grow our asset portfolio, the quality of our assets, our future financial performance, our shareholders' funds, our ability to implement our strategy and the price of our equity shares.

2. ***Political instability and a significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to go down.***

All our assets and customers are located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including our equity shares. The last 11 years have witnessed four changes at the Central Government level with each party having its own policies. Although the current coalition government elected in May of 2004, and led by the Indian National Congress has continued India's current economic liberalization and deregulation policies, we cannot control or predict the future course of the Government of India's policies. Any significant change in the Government's policies or political instability could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

3. ***Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of our Equity Shares to decline.***

We are exposed to the risks of the Indian financial sector which in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity crises. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business and financial performance and the price of our Equity Shares.

4. ***Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer and the price of our Equity Shares to go down.***

We are exposed to the risks of the Indian financial system which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions, banks, non-banking financial companies. This in turn could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

5. ***Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence. In addition, any deterioration in relations between India and its neighbouring countries might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

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

6. ***Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

7. ***Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, our ability to obtain financing for capital expenditures and the price of our Equity Shares.

8. ***We are subject to various Indian regulations and taxes. Our profitability would decrease if there is any adverse change in general regulations and tax policies affecting us.***

Non Banking Financial Companies in India are subject to detailed supervision and regulation by the RBI. RBI in the recent past has re-classified NBFCs and has stipulated a more stringent norm on banks' exposure to NBFCs that are non-AFCs like us as compared to AFCs. Further, RBI has recently mandated the foreign banks having operations in India, and having control over Indian NBFCs to comply with consolidated prudential guidelines. These new regulations and any similar guidelines on NBFCs and in particular applicable to Non-AFCs like us, could have a potential impact on the businesses of the Company on an ongoing basis. In addition, we are subject to a number of Central and State legislations, regulations, bye-laws. For details of important regulations impacting our business kindly refer to the section titled "Regulations and Policies" beginning on page 76 of this Letter of Offer.

Also, since our operations and staff are spread across various states of India, we are, and would be, subject to the jurisdiction of a number of tax authorities and regimes. The final determination of our tax liabilities involves the interpretation of the related jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any relevant tax year.

The Central and State legislations, regulations, bye-laws and tax scheme in India are extensive and subject to change from time to time. Any adverse changes in any of the legislations, regulations, bye-laws and taxes may adversely affect our competitive position and profitability. The scope and extent of new regulations, including their effect on our operations, cannot be predicted. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. In the event we fail to meet the new regulations, we may be subject to administrative, civil and / or criminal proceedings, which could result in substantial fines and penalties.

NOTES TO RISK FACTORS:

1. The Issue comprises of issue of 14,229,929 Equity Shares of Rs. 10 each for cash at a premium of Rs. 130 per Equity Share aggregating to Rs. 199.22 Crores to the Equity Shareholders on rights basis in the ratio of three (3) Equity Share for every eight (8) Equity Shares held on the Record Date. The issue price of each Equity Share is 14 times the face value of the Equity Share.

2. The book value (net asset value) per Equity Share is Rs. 84.82 and Rs. 80.23 as of March 31, 2007 and as of March 31, 2006 respectively, as per our restated unconsolidated financial statements and the book value (net asset value) per Equity Share as per our restated consolidated financial statements is Rs. 79.53 and Rs. 75.66 as of March 31, 2007 and as of March 31, 2006 respectively.

3. The net worth of our Company is Rs. 32,185 Lakhs and Rs. 30,444 Lakhs as of March 31, 2007 and as of March 31, 2006 respectively, as per our restated unconsolidated financial statements and the net worth of our Company as per our restated consolidated financial statements is Rs. 30,179 Lakhs and Rs. 28,710 Lakhs as of March 31, 2007 and as of March 31, 2006 respectively,.

4. Average cost of acquisition per share of the Promoters is as given below: -

S. No.	Promoter	Average cost per share (in Rs.)
1	Mr. M.V. Murugappan	41.51
2	Mr. M.V Subbhiah	41.6
3	Mr. M.A Alagappan	40.98
4	Mr. A Vellayan	42.85
5	Mr. M.M Murugappan	45.64
6	Mr. M.M Venkatachalam	41.21
7	TII*	-11.35
8	DBS Bank Limited	150

* The average cost of acquisition has been arrived on the basis of [Total cost of purchases – sales consideration/ no of existing shares] TII's total cost of acquisition of 1,88,56,960 Equity Shares was Rs.9017.44 Lacs and the total income from sale of 71,18,462 Equity Shares was Rs. 10350.08 Lacs (being 17.48 % stake in the company

sold to DBS Bank Ltd @ Rs.150/- per share) and thus the average cost of acquisition of 11,738,498 Equity Shares comes out to be Rs. (-)11.35 per Equity Share.

5. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.

6. Refer to our financial statements relating to related party transactions in the section titled "Related Party Disclosures" on page 98 of this Letter of Offer.

7. For details of interests of our Directors and key managerial personnel, please refer to the section titled "Our Management" on page 65 of this Letter of Offer. For details of the interests of our Promoters and promoter group, please refer to the section titled "Promoter and Promoter Group" on page 80 of this Letter of Offer.

8. Investors may contact the Lead Manager for any complaints, information or clarifications pertaining to the Issue. The Lead Manager is obliged to provide the same to investors.

9. Before making an investment decision in respect of this Issue, Investors are advised to refer to the section titled "Basis for Issue Price" on page 27 of this Letter of Offer.

10. Please refer to the section titled "Terms of the Issue and Other relevant issue related information - Basis of Offer and Allotment" on page 272 of this Letter of Offer for details relating to the basis of allotment.

11. You may contact the Lead Manager for any complaints pertaining to the Issue including any clarification or information relating to the Issue. The Lead Manager is obliged to provide the same to you.

SECTION V: INTRODUCTION

SUMMARY

ABOUT THE COMPANY

Overview

The Company, was incorporated on August 17, 1978, as a public limited company under the name of "Cholamandalam Investment and Finance Limited", and commenced operations by offering equipment finance through lease and hire purchase finance to corporate entities.

In 1993-94 Cholamandalam Investment and Finance Company ventured into vehicle finance operations. It has since then continuously augmented its product range and geographical presence.

In the year 2006 pursuant to acquisition of 37.48% stake of the total paid up equity capital of Cholamandalam Investment and Finance Company Limited by DBS Bank Limited, Singapore our name was changed to Cholamandalam DBS Finance Limited.

We have a total asset base of Rs. 4,485 crores as on March 31, 2007 (including assets securitized and assigned). We were registered as a deposit taking NBFC, and in December 2006 we converted ourselves into a non-deposit taking NBFC.

We currently enjoy LAA rating for debentures and subordinated debt programme, MAA+ rating for fixed deposits and A1+ rating for Short Term debt programme from ICRA; AA rating for fixed deposits and P1+ rating for short term debt programme from CRISIL and AA (Ind) rating for subordinated debt programme from FITCH

Key Strengths

Low NPAs

As of March 31, 2005, 2006 and 2007 our net NPAs excluding assets deemed to be sub-standard as defined in para 2(XVI)(b) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 constituted 1.50%, 0.65% and 0.41% of the total assets financed (excluding assets securitised and assigned), respectively. The Company has been able to maintain a sound asset quality through robust credit evaluation and collection processes.

Wide range of financial products and services

At present we offer vehicle finance, personal loans, corporate & mortgage finance and home equity. We also offer mutual funds, investment advisory and securities broking services through our subsidiaries.

We believe our wide range of products and services enables us to build stronger relationships with, and increase business volumes from our clients. In addition, our diverse portfolio reduces our dependence on any particular product, service or customer and allows us to exploit synergies across our businesses.

Pan India distribution network

Our business has a nationwide network spread over about 200 locations across 18 states in India. Our extensive distribution network also allows us opportunities to cross sell products and services, particularly as we diversify into new business streams.

Well-established brand

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

Experienced management team

Our management team includes senior executives who have vast experience in the Banking and Financial services Industry. We believe that the management's entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs will enable us to evolve and implement our business strategies.

Strength of the Promoters

The Murugappa group established in 1900 and headquartered in India is a Rs.8,500 crore business conglomerate with interests in engineering, abrasives, sanitary ware, fertilizers, finance, bio products and plantations. It has 29 companies with a combined strength of 28,000 employees. The group is a market leader in India across a spectrum of products. The group is known for its ethical practices and enjoys high level of credibility amongst the businesses it operates in, which has supported the Company in its growth and recognition.

DBS Bank's investment in our Company in January 2006 provided us with an opportunity to leverage the operational and strategic expertise of a well established international player. Head quartered in Singapore, DBS Group Holdings Ltd ("DBS") is the holding company of DBS Bank. DBS is one of the largest financial services groups in Asia with operations in 15 markets and is listed on the Singapore Stock Exchange. DBS Bank had an asset base of approximately 156 billion Singapore dollars as at December 2006. The Bank enjoys credit ratings of "AA-" and "Aa1".

Credit Ratings and low cost of funds

We have also continuously enjoyed a sound credit rating. We currently enjoy LAA rating for debentures and subordinated debt programme, MAA+ rating for fixed deposits and A1+ rating for Short Term debt programme from ICRA; AA rating for fixed deposits and P1+ rating for short term debt programme from CRISIL and AA (Ind) rating for subordinated debt programme from FITCH. We believe that our balance sheet supported by good credit ratings have enabled us to raise funds at competitive rates. Our average interest cost of borrowed funds (financing Charges divided by simple average of opening and closing loan funds) for the fiscal year 2006 and Fiscal Year 2007 was 6.56% and 7.69%, respectively.

Financial Summary

For the year ended March 31, 2007, the net worth of the Company has increased to Rs. 32,185 Lakhs as against Rs. 30,444 Lakhs in the year ended March 31, 2006.

The total income increased from Rs. 22,282 lakhs in Fiscal Year 2006 to Rs. 41,381 lakhs in Fiscal Year 2007. The increase in PBT for the same period was from Rs. 4,738 lakhs to Rs. 5,195 lakhs and PAT for the same period increased from Rs. 3,463 lakhs to Rs. 3,559 lakhs.

Income from vehicle finance increased to Rs. 24,517 lakhs in Fiscal Year 2007 from Rs. 16,770 lakhs in Fiscal Year 2006. Income from consumer loans increased from Rs. 71 lakhs in Fiscal Year 2006 to Rs. 9,205 lakhs in Fiscal Year 2007. Income from loan against securities increased from Rs. 2,022 lakhs in Fiscal Year 2006 to Rs. 2,505 lakhs in Fiscal Year 2007. Similarly, income from loan against immovable property increased from Rs. 135 lakhs in Fiscal Year 2006 to Rs. 711 lakhs in Fiscal Year 2007.

Business Strategy

Vehicle Finance Business –

(i) Continued diversification of product mix into used vehicle and small commercial vehicle
(ii) Expand into first time user segment and used/older vehicle segment.
(iii) Develop and implement a unique collection structure that is tailored to managing and containing risks in customer and product category
(iv) Focus on collection of front end fee income
(v) Nurturing a strong and mutually beneficial relationship with the manufacturers of commercial vehicles

Consumer / Personal Finance Business –

(i) Enhance product portfolio
(ii) Expand market base to other parts of country
(iii) Reorganize the business to ensure individual focus for prime and sub prime segments
(iv) Ensure efficient risk management system
(v) Leverage third party cross sell opportunities

Corporate and Mortgage Finance Business –

(i) Offer personalised structured products to meet the niche customer needs.
(ii) Continue focus on sourcing business from promoters of large market cap companies, closely held corporates and high networth individuals.
(iii) Maintain and strengthen existing customer relationships.
(iv) Launch new products for new customer segments

Home Equity Business –

(i) Increase distribution network
(ii) Diversify customer segment
(iii) Increase product base
(iv) Increase brand visibility
(v) Cross sell

THE ISSUE SUMMARY

SUMMARY OF THE TERMS OF ISSUE

Equity Shares to be issued	14,229,929
Right Entitlement	Three (3) Equity Share for every eight (8) Equity Shares held on the Record Date
Issue Price per Equity Share	Rs.140 per Equity Share
Face Value per Equity Share	Rs. 10
Equity Shares outstanding prior to the Issue as at March 31, 2007	37,946,476
Equity Shares outstanding after the Issue	52,176,405
Warrants Entitlement	One (1) detachable warrant for each Equity Share allotted under the Issue.
Terms of Issue	For more information, see "Terms of Issue" on page 258 of this Letter of Offer.
Issue Opening Date	September 28, 2007
Issue Closing Date	October 29, 2007
Record Date	September 18, 2007
Warrant Conversion Period	The period commencing after 6 months from the date of allotment up to 18 months from the date of allotment. The warrant will get converted on a fixed date ("Notice Date, the outermost date for conversion") and would be made uniformly in respect of all the warrants outstanding.
Warrant Conversion Price	Lower of (a) 20% discount to the average six weekly closing prices before the date of the public notice on BSE; or (b) 20% discount to average two weekly closing prices before the date of the public notice on BSE; or (c) the Cap Price, being Rs. 275 per Equity Share.

TERMS OF PAYMENT

Due Date	Amount Payable
On Rights Issue application	Rs. 140, which constitutes 100% of the full amount of the Issue Price of Rs. 140.
On exercise of warrant	Warrant Exercise Price, which price shall be lower of (a) 20% discount to the average six weekly closing prices before the date of the public notice on Designated Stock Exchange; or (b) 20% discount to average two weekly closing prices before the date of the public notice on the Designated Stock Exchange; or (c) Rs. 275 per Equity Share, being the Cap Price. Please see "Warrant Conversion Price" above.

SUMMARY OF FINANCIALS AND OPERATIONAL INFORMATION

The following tables set forth our selected historical financial information derived from our restated and audited financial statements for the fiscal years ended March 31, 2007, 2006, 2005, 2004, and 2003 all prepared in accordance with Indian GAAP, the Companies Act and SEBI DIP Guidelines and restated as described in the Report of the Auditor on Financial Information included in the section titled "Report of the Auditor on Financial Information" beginning on page 100 of this Letter of Offer, and these tables should be read in conjunction with the financial statements mentioned therein and the notes thereto.

STATEMENT OF RESTATED ASSETS AND LIABILITIES

(In Rs. Lakhs)

PARTICULARS	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
(A) ASSETS					
Fixed Assets (Cost)					
Assets Given on Lease					
Gross Block	37	667	5,923	10,794	16,983
Less : Depreciation	37	660	5,739	9,581	14,096
Net Block	-	7	184	1,213	2,887
Own Assets					
Gross Block	4,853	3,154	2,539	2,292	2,245
Less : Depreciation	1,559	1,064	1,119	933	749
Net Block	3,294	2,090	1,420	1,359	1,496
Capital Advances	70	117	2	26	-
Total Fixed Assets	3,364	2,214	1,606	2,598	4,383
Investments					
Investments	7,957	6,916	12,956	8,057	10,422
Less : Provision for diminution / amortisation of premium on acquisition of Government securities	81	54	81	314	695
Total Investments	7,876	6,862	12,875	7,743	9,727
Deferred Tax Asset (Net)	442	634	580	525	236
Current assets, loans and advances					
Receivables under financing activity	326,928	189,555	147,682	141,917	119,166
Cash and bank balances	27,162	6,382	4,171	3,114	2,140
Other current assets	6,351	2,642	2,746	3,534	2,788
Other loans and advances	1,698	1,415	2,541	1,821	2,558
Total Current assets, loans and advances	362,139	199,994	157,140	150,386	126,652
TOTAL (A)	**373,821**	**209,704**	**172,201**	**161,252**	**140,998**
(B) LIABILITIES AND PROVISIONS					
Secured loans					
Redeemable non-convertible debentures*	124,356	48,100	37,000	35,000	38,500
Working capital demand loans, foreign currency loans and cash credit from banks	45,448	30,451	15,988	23,185	24,246

PARTICULARS	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Term loans from financial institutions	-	-	-	3,849	3,000
Term loans from banks and others	22,253	17,164	19,808	5,962	2,000
Total secured loans	192,057	95,715	72,796	67,996	67,746
Unsecured loans					
Medium term non-convertible debentures *- subordinated Debt	15,000	-	-	-	-
Short term non-convertible debentures*	60,000	17,000	-	11,000	15,700
Short term loans and inter-corporate deposits (including foreign currency loans)	35,395	15,260	20,175	9,559	130
Commercial Paper	12,456	29,639	24,179	21,165	9,248
Fixed Deposits	6,975	12,011	16,167	19,127	20,017
Total unsecured loans	129,826	73,910	60,521	60,851	45,095
Current liabilities and provisions					
Current Liabilities	15,927	6,034	5,494	8,179	8,056
Provisions	3,826	3,601	3,085	721	614
Total current liabilities and provisions	19,753	9,635	8,579	8,900	8,670
TOTAL (B)	**341,636**	**179,260**	**141,896**	**137,747**	**121,511**
NET WORTH (A – B)	**32,185**	**30,444**	**30,305**	**23,505**	**19,487**
Represented by					
SHARE CAPITAL					
Equity Shares	3,801	3,801	3,801	2,536	1,693
Preference Shares	-	-	1,000	2,300	3,300
Total share capital	3,801	3,801	4,801	4,836	4,993
RESERVES AND SURPLUS					
Share premium account	14,043	14,043	14,043	8,419	6,367
Capital redemption reserve	3,300	3,300	2,300	1,000	-
Statutory reserve	5,401	4,780	4,075	3,393	2,751
Contingency reserve	-	-	-	-	1,100
General reserve	5,228	4,984	5,284	5,684	4,734
Balance in profit and loss account	803	-47	117	361	-295
Total Reserves and Surplus	28,775	27,060	25,819	18,857	14,657
MISCELLANEOUS EXPENDITURE	-391	-417	-315	-188	-163
NET WORTH	**32,185**	**30,444**	**30,305**	**23,505**	**19,487**

PROFIT AND LOSS ACCOUNT

(in Rs. Lakhs)

PARTICULARS	For the Year ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
INCOME					
Income from operations	40,744	22,009	21,951	23,469	24,253
Other income	169	137	7	1	12
Total Income	**40,913**	**22,146**	**21,958**	**23,470**	**24,265**
EXPENDITURE					
Staff costs	3,805	1,814	1,463	1,284	1,026
Business origination outsourcing	5,943	1,572	1,906	2,832	1,492
Operating and other expenses	3,410	1,715	1,331	1,398	1,160
Financing charges	18,893	9,942	8,922	9,065	10,444
Depreciation	560	417	934	1,828	3,929
Provisions, loan losses and other Charges	3,575	2,082	2,246	2,458	1,659
Total Expenditure	**36,186**	**17,542**	**16,802**	**18,865**	**19,710**
Net profit before tax and extra ordinary items	**4,727**	**4,604**	**5,156**	**4,605**	**4,555**
PROVISION FOR TAXATION					
Income tax	1,587	1,119	1,925	2,177	2,564
Deferred tax	-33	-100	-176	-628	-824
Fringe benefit tax	71	65	-	-	-
Net profit after taxation before extra-ordinary items	**3,102**	**3,520**	**3,407**	**3,056**	**2,815**
Extra-ordinary items	-	-	-	153	-
Net profit after taxation and extra-ordinary items	**3,102**	**3,520**	**3,407**	**3,209**	**2,815**
Adjustments Due to Changes in Accounting Policies / Prior Period Items [Add / (-) Less]					
Upfront gain on securitisation	468	136	-159	-157	-438
Business origination outsourcing	-	55	541	1,069	-584
Employee benefits	-	-57	-52	-60	7
Prior period items					
- Income Tax	146	-146	-	-	-
- Other Items	-	-	-	95	-95
Tax effect of the above adjustments	-157	-45	-121	-340	408
Net Adjustments	**457**	**-57**	**209**	**607**	**-702**
Restated Net Profit After Taxation	**3,559**	**3,463**	**3,616**	**3,816**	**2,113**

***** With respect to the Debentures issued by the Company from time to time. The Company has complied with the relevant laws/regulations/prudential norms as applicable regarding creation of debenture redemption reserve, debenture trustees etc. Since all the debentures are privately placed, there is no requirement for a DRR for the Company being an NBFC in line with the DCA Circular No. 9/2002 dated 18.4.02.

The reasons for increase/decrease in the figures over various years such as assets given on lease, investments, receivables under financing activity, redeemable non-convertible debentures, current liabilities, income from operations etc. is explained in detail in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 197 of the Letter of Offer

KEY FINANCIAL RATIOS

Adjusted Earning per Share (EPS) (basic) on standalone financials

Year ended	Face Value per Share (Rs. 10 per share)	
	Rupees	WEIGHT
Fiscal 2005	9.62	1
Fiscal 2006	8.97	2
Fiscal 2007	9.38	3
Weighted Average	9.28	

Adjusted Earning per Share (EPS) (basic) on consolidated financials

Year ended	Face Value per Share (Rs. 10 per share)	
	Rupees	WEIGHT
Fiscal 2005	8.69	1
Fiscal 2006	8.83	2
Fiscal 2007	8.71	3
Weighted Average	8.75	

Price/Earning (P/E) ratio in relation to Rights Issue Price of Rs 140 per Equity Share

1. Based on unconsolidated adjusted EPS for Fiscal 2007 being 14.93.
2. Based on unconsolidated weighted average EPS being 15.09

Return on Net Worth (based on Unconsolidated Financials)

Year ended	RONW (%)	Weight
Fiscal 2005	11.93	1
Fiscal 2006	11.37	2
Fiscal 2007	11.06	3
Weighted Average	11.31	

Net Asset Value (based on Unconsolidated Financials) as of March 31, 2007 was Rs. 84.82

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolutions passed by the Board of Directors of the Company at its meeting held on January 24, 2007, approving the issue of equity shares up to Rs 200 crores, and subsequent resolution passed by the Board of Directors at its meting held on June 22, 2007, approving the attaching of detachable warrants to the equity Shares being offered on rights basis, it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce the Equity Shares offered:

ISSUE OF 14,229,929 EQUITY SHARES OF Rs. 10 EACH FOR CASH AT A PREMIUM OF Rs. 130 PER EQUITY SHARE AGGREGATING UPTO Rs. 199.22 CRORES TO THE EQUITY SHAREHOLDERS OF CHOLAMANDALAM DBS FINANCE LIMITED ON RIGHTS BASIS IN THE RATIO OF THREE (3) EQUITY SHARE(S) FOR EVERY EIGHT (8) EQUITY SHARE(S) HELD ON THE RECORD DATE, i.e., SEPTEMBER 18, 2007. FOR EVERY ONE (1) EQUITY SHARE BEING ALLOTTED ON RIGHTS BASIS, THE ALLOTTEES WILL RECEIVE ONE (1) DETACHABLE WARRANTS.

REGISTERED OFFICE OF THE COMPANY

'Dare House' No. 2,
N.S.C Bose Road,
Parrys,
Chennai – 600 001,
India

Registration Number 007576;

Registered with Registrar of Companies, Tamil Nadu, Chennai, located at Block No. 6, B Wing, II Floor, Shastri Bhawan, 26, Haddows Road, Chennai-600 034

Corporate Identification Number U65993TNN1978PLC007576

Registered as non-deposit taking NBFC with the RBI vide certificate of registration no. B.07-00306 dated December 11, 2006.

BOARD OF DIRECTORS

As on date, the Board of Directors of the Company consists of 11 (eleven) directors, out of which 4 (four) are independent directors. As the chairman, Mr. A. Vellayan, is a non-executive director one-third of the Board comprises of independent directors in compliance with clause 49 (A) (ii) of the standard listing agreement. However, since the chairman belongs to the promoter group, SEBI has advised the Company to reconstitute the Board in such a manner that the Board of Directors of the Company consist of atleast 50% Directors as Independent Directors. Accordingly the same will be considered by the Board at its next meeting which will be held on or before October 31, 2007. The composition of the Board as on the date of this Letter of Offer is as under:

S. No.	Name	Designation	DIN
1	Mr. A Vellayan	Non – executive Chairman	00148891
2	Mr. V.P Mahendra	Independent Director	00033270
3	Mr. R.V. Kanoria	Independent Director	00003792
4	Mr. Indresh Narain	Independent Director	00501297
5	Mr. R Krishnamurthy	Independent Director	00032894
6	Mr. N. Srinivasan	Non – executive Director	00123338
7	Mr. M. Anandan	Non – executive Director	00033633
8	Mr. Rajan Raju	Non – executive Director	00016529
9	Mr. Edmund Koh Kian Chew	Non – executive Director	01777222 (provisional DIN)
10	Mr. Pranam Wahi	Non – executive Director	00031914
11	Mr. Atul Pande	Managing Director	00074361

For further details of Directors, please see the section titled "Our Management" on page 65 of this Letter of Offer.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. P. Sujatha
Cholamandalam DBS Finance Limited
'Dare House' No. 2,
N.S.C Bose Road,
Parrys,
Chennai – 600 001,
India
Tel: (+91 44) 2534 6400 / 2530 7055
Fax: (+91 44) 2534 6464
Email: choladbs-rights@choladbs.murugappa.com
Website: www.choladbs.com

Investors may contact the Compliance Officer for any pre-Issue / post-Issue related matter.

AUDITORS OF THE COMPANY

M/s. Deloitte Haskins & Sells
2nd Floor, Temple Towers, 672,
Anna Salai,
Nandanam, Chennai – 600 075
Tel: (91 44) 4213 1124
Fax: (91 44) 4213 1130
Email: ksairam@deloitte.com

BANKERS OF THE COMPANY

Standard Bank of India 19, Rajaji Salai Chennai – 600 001 Tel: (+91 44) 2534 9256 Fax: (+91 44) 2534 9186	**IDBI Bank ltd**. PM Towers, 37 Greams Road Chennai – 600 006 Tel: (+91 44)2829 3413 Fax: (+91 44) 2829 5370
Dena Bank Senbudoss Street Branch 80/81, Broadway Chennai – 600 108 Tel: (+91 44) 2526 2609 Fax: (+91 44) 2526 2610	**HDFC Bank Ltd** Mariam Centre, III Floor 751 – B, Anna Salai Chennai – 600 002 Tel: (+91 44) 2852 8861 Fax: (+91 44) 2851 3547
ICICI Bank Ltd. ICICI Bank Towers, 9th Floor, East Wing 93, Santhom High Road Chennai – 600 028 Tel: (+91 44) 5206 3111 Fax: (+91 44) 5206 3126	**Bank of Baroda** Chennai Main Branch, TIAM House 28, Rajaji Salai Chennai – 600 001 Tel: (+91 44) 2345 4245
State Bank of Travancore Chennai Main Branch United India Building, Esplanade, Chennai – 600 108 Tel: (+91 44) 2534 2548 Fax: (+91 44) 2534 2538	**State Bank of Hyderabad** Chennai Main Branch 45, Second Line Beach Chennai – 600001 Tel: (+91 44) 2533 1666 Fax: (+91 44) 2534 0403
United Bank of India 117, Armenian Street	**State Bank of Patiala** 38, Whites Road

Chennai – 600 001 Tel: (+91 44) 2534 0143 Fax: (+91 44) 2534 0580	Chennai – 600 014 Tel: (+91 44) 2852 1805 Fax: (+91 44) 2852 2863
Citi Bank NA, 3rd Floor, Club House Chennai – 600 002 Tel: (+91 44) 2846 6505 Fax: (+91 44) 2846 0610	**State Bank of India** Commercial Branch 232, NSC Bose Road Chennai – 600 001 Tel: (+91 44) 2534 1338 Fax: (+91 44) 2534 2476
Union Bank of India Chennai Main Branch Union Bank Bhavan 139, Broadway Chennai – 600 108 Tel: (+91 44) 2538 0331 / 0441 Fax: (+91 44) 2538 0732	**HSBC Ltd.** Nagabrahma Towers, 76, Catedral Road Chennai – 600 086 Tel: (+91 44) 4391 2006
IndusInd Bank Ltd 3 Village Road, Nungambakkam Chennai – 600 034 Tel: (+91 44) 2823 5472 Fax: (+91 44) 2823 5489	**ING Vysya Bank** 2nd Floor, 185, Annasalai Chennai – 600 006 Tel: (+91 44) 2852 8388 / 2852 0459 Fax: (+91 44) 2959 3322

ISSUE MANAGEMENT TEAM

Lead Manager to the Issue

Enam Securities Private Limited
801 / 802, Dalamal Tower,
Nariman Point,
Mumbai – 400 021
India
Tel: (+91 22) 6638 1800
Fax: (+91 22) 2284 6824
Email: cdflrights@enam.com
Website: www.enam.com
Contact Person: Mr. Amit Maheshwari

Registrar to the Issue

KARVY Computershare Private Limited
Plot No.17-24, Vittalrao Nagar
Madhapur, Hyderabad – 500 081
Tel: (+91 40) 23420815 -820
Fax: (+91 40) 23420814
Email: cholarights@karvy.com
Website: www.karvy.com
Contact Person: Mr. Murali Krishna

Legal advisors for the Issue

Fox Mandal & Co.
'FM House'
A – 9, Sector 9
Noida – 201 301
Tel: (+91 120) 430 5555
Fax: (+91 120) 254 2222
Email: newdelhi@foxmandallittle.com; choladbs@foxmandallittle.com

BANKERS TO THE ISSUE

HDFC Bank Limited
26 A, Narayan Properties,
Chandivali Farm Road,
Saki Naka,
Mumbai-400 072
Tel: (+91 22) 2856 9009
Fax: (+91 22) 28569256
Email: viral.kothari@hdfc.com

CREDIT RATING

This being an issue of equity shares on rights basis no credit right is required and none has been taken. The details of the credit ratings for various debt programmes of the Company for the last three years and the current year are as under:

Rated Amount	Rating Agency	Rating	Date of Rating Letter
Fixed Deposit Programs			
N.A.	CRISIL	FAA*	October 10, 2003
N.A.	CRISIL	FAA (Reaffirmed)*	January 27, 2005
N.A.	ICRA	MAA+ (Revised)**	June 29, 2004
N.A.	ICRA	MAA+ (Reaffirmed)**	August 2,2005
N.A.	ICRA	MAA+ (Reaffirmed on change of name)**	May 4, 2006
N.A.	ICRA	MAA+ (Reaffirmed)**	June 23, 2006
Note: CRISIL Rating of MAA+ for our Fixed Deposit Programme has been withdrawn vide their letter dated post conversion of the status of the company into a Non-Deposit taking NBFC			
Non-Convertible Debenture Programs			
Rs.125 Crore	ICRA	MAAA**	March 12, 2003
Rs.125 Crore	ICRA	MAA+ (Revised)**	June 29, 2004
Rs.200 Crore	ICRA	MAAA**	March 12, 2003
Rs.200 Crore	ICRA	MAA+ (Revised)**	June 29, 2004
Rs.200 Crore	ICRA	MAA+ (Reaffrimed)**	August 2, 2005
Rs.100 Crore	ICRA	MAAA**	February 4, 2003
Rs.100 Crore	ICRA	MAA+ (Revised)**	June 29, 2004
Rs.100 Crore	ICRA	MAA+ (Reaffrmed)**	August 2, 2005
Rs.200 Crore	ICRA	MAA+**	August 27, 2004
Rs.200 Crore	ICRA	MAA+ (Reaffirmed)**	March 1, 2005
Rs.200 Crore	ICRA	MAA+ (Reaffirmed)**	August 2, 2005
Rs.200 Crore	ICRA	MAA+ (Reaffirmed on change of Name)**	May 4, 2006
Rs.200 Crore	ICRA	MAA+ (Reaffirmed)**	June 23, 2006
Rs.350 Crore	ICRA	LAA (Fresh)**	Augsut 2, 2005
Rs.350 Crore	ICRA	LAA (Reaffirmed on change of Name)**	May 4, 2006
Rs.350 Crore	ICRA	LAA**	June 23, 2006
Rs.150 Crore	ICRA	LAA**	June 14, 2006
Rs.250 Crore	ICRA	LAA**	November 9, 2006
Rs. 450 Crore	ICRA	LAA**	March 23, 2007

Rated Amount	Rating Agency	Rating	Date of Rating Letter
Rs. 300 Crore	ICRA	LAA**	June 6, 2007
Preference Share issues			
Rs.35 Crore	ICRA	MAA+**	March 12, 2003
Rs.35 Crore	ICRA	MAA**	June 29, 2004
Rs.35 Crore	ICRA	MAA (Reaffirmed)	August 2, 2005
Commercial Paper Programs			
Rs.125 Crore	ICRA	A1+ (Reaffirmed)**	March 12, 2003
Rs.125 Crore	ICRA	A1+ (Reaffirmed)**	June 29, 2004
Short Term Debt Programs			
Note: ICRA Rating of A1+ for the Company's Commercial Paper / Short Term Debt Program was withdrawn at the request of the Company by ICRA vide their letter dated July 01, 2005, as neither any such short term instrument was issued by the Company or was pending for redemption nor any issuance of such instruments by the Company was expected in the near future.			
Rs.125 Crore	ICRA	A1 + (Fresh)**	December 7, 2005
Rs.125 Crore	ICRA	A1+ (Reaffirmed on change of Name)**	May 4, 2006
Rs.200 Crore	ICRA	A1+ (Enhanced)**	July 14, 2006
Rs.325 Crore	CRISIL	P1+*	October 10, 2003
Rs.325 Crore	CRISIL	P1+ (Reaffirmed)*	August 2, 2004
Rs.375 Crore	CRISIL	P1+*	May 24, 2005
Rs.500 Crore	CRISIL	P1+ (Enhanced)*	November 17, 2005
Rs.500 Crore	CRISIL	P1+ (Reaffirmed on change of Name)*	May 3, 2006
Rs.750 Crore	CRISIL	P1+ (Enhanced)*	Jan 24, 2007
Asset Backed Securitisation Programs / Bilateral Assignment Transactions			
Rs.89.36 Crore	ICRA	LAAA (SO)**	February 21, 2003
Rs.55.90 Crore	ICRA	MAAA (SO)**	June 30, 2003
Rs.55.30 Crore	ICRA	MAAA (SO) **	November 20, 2003
Rs.60.81 Crore	ICRA	MAAA (SO)**	March 12, 2004
Rs.64.70 Crore	ICRA	MAAA (SO)**	June 21, 2004
Rs.84.16 Crore	CRISIL	AAA (SO)	September 27, 2004
Rs.79.42 Crore	CRISIL	AAA (SO)*	December 28, 2004
Rs.24.43 Crore	CRISIL	AAA (SO)*	March 17, 2005
Rs.23.48 Crore	CRISIL	AAA (SO)*	March 15, 2005
Rs.54.58 Crore	CRISIL	AAA (SO)*	March 21, 2005
Rs.65.78 Crore	CRISIL	AAA (SO)*	June 13, 2005
Rs.37.70 Crore	CRISIL	AAA (SO)*	September 22,2006
Rs.28.89 Crore	CRISIL	AAA (SO)*	September 22,2006
Rs.34.53 Crore	CRISIL	AAA (SO)*	December 12, 2005
Rs.20.46 Crore	CRISIL	AAA (SO)*	January 5, 2006
Rs.66.04 Crore	CRISIL	AAA (SO)*	March 20, 2006
Rs.30.05 Crore	CRISIL	AAA (SO)*	June 29, 2006
Rs.72.03 Crore	CRISIL	AAA (SO)*	June 29, 2006
Rs. 40.30 Crore	CRISIL	AAA (SO)*	Oct 3, 2006

Rated Amount	Rating Agency	Rating	Date of Rating Letter
Rs. 86.29 Crore	CRISIL	AAA (SO)*	Oct 3, 2006
Rs. 45.84 Crore	CRISIL	AAA (SO)*	Oct 3, 2006
Rs. 103.69 Crore	CRISIL	AAA (SO)*	Nov 20, 2006
Rs. 68.9 Crore	CRISIL	AAA (SO)*	Nov 20, 2006
Rs. 74.03 Crore	CRISIL	AAA (SO)*	Dec 4, 2006
Rs. 70.14 Crore	CRISIL	AAA (SO)*	Dec 26, 2006
Rs. 146.67 Crore	CRISIL	AAA (SO)*	Mar 9, 2007
Subordinated Debt Programs			
Rs.150 Crore	ICRA	LAA**	Nov 1, 2006
Rs.75 Crore	FITCH	AA (Ind)***	Feb 13, 2007

Rating Scales

* **CRISIL Ratings**

"AAA" (pronounced "Tripple A") is a long-term rating scale indicates highest safety with regard to the likelihood of meeting the debt obligations on time

"FAA" Fixed Deposit rating scale ("pronounced F Double A") indicates that the degree of safety regarding timely payment of interest and principal is strong. However, the relative degree of safety is not as high as for fixed deposits with 'FAAA' rating.

"P-1" Short term Instruments rating scale. This rating indicates that the degree of safety regarding timely payment on the instrument is very strong.

**** ICRA Ratings**

"LAAA" (pronounced L triple A) is a long-term rating scale, for bonds, non-convertible debentures (NCDs), and other debt instruments (excluding public deposits), all with original maturity exceeding one year. This rating indicates the highest-credit-quality rating assigned by ICRA. The rated instrument carries the lowest credit risk.

"LAA" (pronounced L double A) is also a long-term rating scale indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.

"MAAA" is a medium-term rating scale, for rating of public deposit programmes. This rating is the highest-credit-quality rating assigned by ICRA. The rated deposits programme carries the lowest credit risk.

"MAA" is a medium-term rating scale, for rating of public deposit programmes. This rating is the high-credit-quality rating assigned by ICRA. The rated deposits programme carries low credit risk.

"A-1" is a Short-Term Rating Scale, for debt instruments with original maturity within one year. This is the highest-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of A1+ to reflect their relatively stronger credit quality.

*****Fitch Ratings**

"AA(Ind)" a long-term rating scale, for bonds, non-convertible debentures (NCDs), and other debt instruments (excluding public deposits), all with original maturity exceeding one year. 'AA' national ratings denote a very strong credit risk relative to other issuers or issues in the country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

INTER-SE ALLOCATION OF RESPONSIBILITIES

Since Enam is the sole Lead Manager for this Issue, the entire Issue related activities are being handled by Enam.

The statement of inter se allocation of responsibilities for this Issue is as follows:

Sr. No.	Activities	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities such as type of instruments, etc.	ENAM	ENAM
2.	Drafting and Design of the Letter of Offer document and of advertisement/publicity material including newspaper advertisements and brochure/memorandum containing salient features of the Letter of Offer document. The designated Lead Merchant Banker shall ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	ENAM	ENAM
3.	Marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centers of holding conferences of brokers, investors etc. (iii) bankers to the issue, (iv) collection centers (v) brokers to the issue, distribution of publicity and issue material including application form, prospectus and brochure, and deciding on the quantum of issue material.	ENAM	ENAM
4.	Selection of various agencies connected with the issue, namely Registrars to the Issue, printers, bankers and advertisement agencies.	ENAM	ENAM
5.	Follow-up with bankers to the issue to get estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	ENAM	ENAM
6.	The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment/weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	ENAM	ENAM

STANDBY UNDERWRITING

The Company has not entered into any standby underwriting arrangement.

CAPITAL STRUCTURE OF THE COMPANY

CAPITAL STRUCTURE

			In Rupees (Amount in Lakhs)
		Aggregate Nominal Value	**Aggregate value at Issue Price**
(A) Authorized Share Capital			
100,000,000	Equity shares of Rs.10/- each	10,000	
6,000,000	Redeemable preference shares of Rs. 100/- each	6,000	
(B) Issued Capital*			
38,083,230	Equity shares of Rs 10/- each	3,808.32	
3,500,000	Redeemable preference shares of Rs. 100/- each**	3,500	
(C) Subscribed Capital			
37,946,476	Equity shares of Rs.10/- each fully paid up	3,794.65	
130,900	Shares forfeited (Amount originally paid up)	6.54	
38,077,376	TOTAL	3,801.19	
3,300,000	Redeemable preference shares of Rs. 100/- each**	3,300	
(D) Paid-up Equity Capital before the Issue			
37,946,476	Equity shares of Rs.10/- each fully paid up	3,794.65	
(D) Present Issue being offered to the Equity Shareholders through this Letter of Offer			
14,229,929	Equity Shares of Rs.10/- at a premium of Rs. 130 i.e. at a price of Rs. 140 per share	1,422.99	19,921.90
(E) Paid up capital after the Issue			
52,176,405	Equity shares of Rs.10/- each fully paid up	5,217.64	
(F) Paid up Capital on conversion of warrants			
66,406,334	Equity Shares of Rs. 10 each	6,640.63	
(G) Share Premium Account			
	Existing share premium account	14,043.33	
	Securities premium account after the Issue	33,965.23	

* 475 Equity Shares are held in abeyance pursuant to a court order in relation to the rights issue in 1995, 3,305 Equity Shares and 2,704 Equity Shares issued in rights issue in 2003 and 2004 respectively are held in abeyance as per the Stock Exchange requirements.

** The Redeemable cumulative preference shares of Rs. 100 each were redeemed at par as per the terms of redemption.

DETAILS OF INCREASE IN AUTHORISED SHARE CAPITAL SINCE INCORPORATION

Date	Authorised capital (in Rs.)	Face Value (In Rs.)	Number of shares	Remarks
August 17, 1978	16,000,000	10	1,600,000 Equity Shares	Initial authorized share capital
December 13, 1985	70,000,000	10	7,000,000 Equity Shares	Increased from Rs. 16,000,000 to Rs. 70,000,000 by addition of 5,400,000 Equity Shares of Rs. 10 each
November 19, 1992	210,000,000	10	21,000,000 Equity Shares	Increased from Rs. 70,000,000 to Rs. 210,000,000 by addition of 14,000,000 Equity

Date	Authorised capital (in Rs.)	Face Value (In Rs.)	Number of shares	Remarks
				Shares of Rs. 10 each
July 31, 2002	700,000,000	10 per Equity Share 100 per Preference Share	35,000,000 Equity Shares 3,500,000 preference shares	Increased from Rs. 210,000,000 to Rs. 700,000,000 by addition of 14,000,000 Equity Shares of Rs. 10 each and 3,500,000 preference shares of Rs. 100 each
December 8, 2003	1,600,000,000	10 per Equity Share 100 per Preference Share	100,000,000 Equity Shares 6,000,000 preference shares	Increased from Rs. 700,000,000 to Rs. 1,600,000,000 by addition of 65,000,000 Equity Shares of Rs. 10 each and 2,500,000 preference shares of Rs. 100 each

NOTES TO CAPITAL STRUCTURE

Build up of Equity Share Capital

Year of Issue	Number of shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Cumulative paid up capital (INR)	Nature of Payment of Consideration	Remarks
1978	700	10	10	7,000	Cash	Subscription to Memorandum of Association – Incorporation
1980	99,300	10	10	10,00,000	Cash	Preferential allotment
1980	1,50,000	10	10	25,00,000	Cash	Public issue
1982	2,49,300	10	10	49,93,000	Cash	Rights issue
1985	4,99,300	10	10	99,86,000	Cash	Rights issue
1986	6,01,400	10	10	1,60,00,000	Cash	Rights issue
1990	8,00,000	10	-	2,40,00,000	Cash	Bonus issue
1991	18,47,700	10	13	4,24,77,000	Cash	Rights issue
1993	42,52,100	10	30	8,49,98,000	Cash	Rights issue
1995	42,49,425	10	55	12,74,92,250	Cash	Rights issue
1995	42,49,900	10	100	16,99,91,250	Cash	Public issue
	1,69,99,125					Total subscribed
2001	1,30,900					Less: Forfeited shares
	1,68,68,225			16,86,82,250		Net after forfeiture
2003	84,30,808	10	35	25,29,90,330	Cash	Rights issue
2004	1,26,47,443	10	55	37,94,64,760	Cash	Rights issue
	3,79,46,476			**37,94,64,760**		Fully paid shares

Except for issuance of the above-mentioned Equity Shares, we have not issued any other Equity Shares. We have not issued any shares out of revaluation reserve.

Build up of Preference share capital

Year	No. of shares allotted	Face value (Rs.)	Issue price (Rs.)	Cumulative paid up capital (Rs.)	Consideration	Remarks
2002	23,00,000	100	100	23,00,000,000	Cash	Issued by way of preferential allotment. 10,00,000 preference shares were redeemed in the fiscal year 2004; whereas the remaining 13,00,000 were redeemed in fiscal year 2005.
2003	10,00,000	100	100	33,00,000,000	Cash	Issued by way of preferential allotment. Entire lot was redeemed in fiscal 2006

Shareholding pattern of the Company as on September 7, 2007

Category code	Category of shareholder	Total number of Shares held pre-Issue	% of pre-Issue capital	No. of Equity Shares post Rights Issue*	% of post Rights Issue capital *	No. of Equity Shares post exercise of warrants*	% of post Issue capital, post exercising warrants*
(A)	**Shareholding of Promoter and Promoter Group**						
(I)	**Indian**						
(a)	Individuals/Hindu Undivided Family	1,961,909	5.17%	2,697,625	5.17%	3,433,341	5.17%
(b)	Bodies Corporate	12,260,076	32.31%	16,857,605	32.31%	21,455,134	32.31%
	Sub-Total (A)(1)	**14,221,985**	**37.48%**	**19,555,230**	**37.48%**	**24,888,475**	**37.48%**
(II)	**Foreign**						
(a)	Bodies Corporate	14,221,985	37.48%	19,555,230	37.48%	24,888,475	37.48%
	Sub-Total (A)(2)	**14,221,985**	**37.48%**	19,555,230	37.48%	24,888,475	37.48%
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)	**2,8443,970**	**74.96%**	**39,110,460**	**74.96%**	**49,776,950**	**74.96%**
(B)	**Public shareholding**						
(I)	**Institutions**						
(a)	Mutual Funds/UTI	46,126	0.12%	63,423	0.12%	80,720	0.12%
(b)	Financial Institutions/ Banks	4,150	0.01%	5,706	0.01%	7,262	0.01%
(c)	Foreign Institutional Investors	643,286	1.70%	884,518	1.70%	1,125,750	1.70%
(d)	Foreign Venture Capital Investors	-	-	-	-	-	-
	Sub-Total (B)(1)	**693,562**	**1.83%**	**953,647**	**1.83%**	**1,213,732**	**1.83%**
(II)	**Non-institutions**						

Category code	Category of shareholder	Total number of Shares held pre-Issue	% of pre-Issue capital	No. of Equity Shares post Rights Issue*	% of post Rights Issue capital *	No. of Equity Shares post exercise of warrants*	% of post Issue capital, post exercising warrants*
(a)	Bodies Corporate	1,611,267	4.24%	2,215,492	4.25%	2,819,717	4.25%
(b)	Individuals						
	I. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	4,897,585	12.91%	6,734,179	12.91%	8,570,773	12.91%
	II. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	1,935,160	5.10%	2,660,845	5.10%	3,386,530	5.10%
(c)	Any Other-						
	i) Overseas Corporate Bodies	1,735	0.00%	2,386	0.00%	3,037	0.00%
	ii) Non-Resident Indians	348,957	0.92%	479,816	0.92%	610,675	0.92%
	iii) Trusts	209	0.00%	287	0.00%	365	0.00%
	iv) Clearing Members	14,031	0.04%	19,293	0.04%	24,555	0.04%
	Sub-Total (B)(2)	**8,808,944**	**23.21%**	**12,112,298**	**23.21%**	**15,415,652**	**23.21%**
	Total Public Shareholding (B) = (B)(1) + (B)(2)	**9,502,506**	**25.04%**	**13,065,946**	**25.04%**	**16,629,386**	**25.04%**
	TOTAL (A)+(B)	**37,946,476**	**100.00%**	**52,176,405**	**100.00%**	**66,406,334**	**100.00%**

*Assuming all shareholders apply for and are allotted Equity Shares.

The Company confirms that as on the date of this Letter of Offer none of the non-institutional shareholders are in any way related to the Promoters/ Directors/ promoter group of the Company except to the extent of the Equity Shares held by its Directors and their relatives as detailed below:

Name of the Director	No of shares
Mr. V P Mahendra	16705
Mr. R V Kanoria's family : Ms. Madhuvanti Kanoria -25000 Mr. Saumya Vardhan Kanoria -25000 Mr. Anand Vardhan Kanoria -25000	75000
Mr. M Anandan	24500
Mr. Atul Pande	25049
TOTAL	**141254**

The Promoters have confirmed that they along with their group companies/entities and with the companies / entities controlled by them (together referred to as "Promoters" in this clause) intend to subscribe to the full extent of their entitlement in the Issue. The Promoters reserve their right to subscribe to their entitlement in this Issue, either by themselves or a combination of entities controlled by them, including by subscribing for renunciation if any made within the promoter group to another person forming part of the promoter group. In the event of under subscription our Promoters intend to apply for additional Equity Shares, subject to obtaining necessary approvals, if any, under the applicable laws, such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire shares over and above their entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the SEBI

(Substantial Acquisition of Shares and Takeover) Regulations, 1997 . In the event of the minimum public shareholding falling below the prescribed minimum, the Company will take the necessary steps in ensuring that the minimum public shareholding is restored in compliance with SEBI regulations. As such, other than meeting the requirements indicated in the section on "Objects of the Issue" on page 24 of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters, in this Issue, the Promoters' shareholding in the Company exceeds their current shareholding.

Allotment to the Promoter of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

As per the listing agreement with the Stock Exchanges where the Equity Shares of the Company are listed the Company is required to maintain a minimum of 25% public shareholding. As on September 7, 2007 the public holds 25.04% of the pre issue paid up capital. In case the minimum public shareholding in the Company falls below the prescribed minimum consequent to this Issue the Company will take necessary steps in ensuring that the minimum public shareholding is restored in compliance with SEBI regulations by adopting any of the following methods as per clause 40 A of the Listing Agreement and as directed by the Stock Exchanges:

a. issuance of shares to public through prospectus;
b. offer for sale of shares held by promoters to public through prospectus;
c. sale of shares held by promoters through the secondary market; or
d. any other method which does not adversely affect the interest of minority shareholders

Details of the shareholding of Promoters, Promoter Group and the directors of the Promoter

1. Shareholding of Promoters

S. No.	Promoters	No. of shares held	% of pre-issue paid up share capital
1.	Mr. M.V. Murugappan	135,000	0.36
2.	Mr. M.V. Subbhiah	125,025	0.33
3.	Mr. M.A Alagappan	331,646	0.87
4.	Mr. A Vellayan	78,375	0.21
5.	Mr. M.M Murugappan	21,150	0.06
6.	Mr. M.M Venkatachalam	37,443	0.10
7.	TII	11,738,498	30.93
8.	DBS Bank Ltd.	14,221,985	37.48
Total		**26,689,122**	**70.33**

2. Shareholding of Promoter Group

S. No.	Promoter group	No. of shares held	% of pre-issue paid up share capital
1.	Mrs. M V Valli Murugappan	85,500	0.23
2.	Mrs. M V Seetha Subbiah	124,950	0.33
3.	Mr. S Vellayan	125,025	0.33
4.	Mrs. A A Alagammai	25,000	0.07
5.	Mr. Arun Alagappan	160,000	0.42
6.	Mrs. A.Keertika Unnamalai	6,500	0.02
7.	Mrs. M V AR Meenakshi	94,875	0.25
8.	Mrs. Lalitha Vellayan	53,100	0.14
9.	Mr. V Narayanan	57,600	0.15
10.	Mr. V Arunachalam	56,287	0.15
11.	Mr. A Venkatachalam	109,669	0.29
12.	Mrs. Meyyammai Venkatachalam	40,029	0.11
13.	Mr. A V Arunachalam	69,000	0.18

S. No.	Promoter group	No. of shares held	% of pre-issue paid up share capital
14.	Mrs. Meenakshi Murugappan	38,150	0.10
15.	Mr. M M Muthiah	30,900	0.08
16.	Mr. M M Veerappan	14,750	0.04
17.	Mrs. Lakshmi Venkatachalam	64,105	0.17
18.	Mrs. M V Muthiah	16,743	0.04
19.	Mr. M V Subramanian	4,087	0.01
20.	Mrs. A M Meyyammai	34,500	0.09
21.	Mr. M A M Arunachalam	22,500	0.06
22.	E.I.D.Parry (India) Ltd.	225	0.00
23.	Parry Enterprises India Ltd (earlier known as Parry Engineering and Exports Ltd).	225	0.00
24.	New Ambadi Estates Private Ltd	100	0.00
25.	Parry Agro Industries Ltd	100	0.00
26.	New Ambadi Investments Pvt Ltd	435	0.00
27.	Ambadi Enterprises Ltd	33,300	0.09
28.	Presmet Pvt Ltd	450	0.00
29.	Carborundum Universal Ltd	100	0.00
30.	Coromandel Holdings and Minerals Ltd (merged with Coromandel Engineering Company Limited)	150	0.00
31.	A.M.M.Educational Foundation	225	0.00
32.	A M M Arunachalam Sons Pvt Ltd	412,500	1.09
33.	A M M Vellayan Sons Pvt Ltd	3,037	0.01
34.	M M Muthiah Research Foundation	16,200	0.04
35.	A R Lakshmi Achi Trust	54,531	0.14
Total		**1,754,848**	**4.63**

3. Shareholding of directors of Promoter group

Shareholdings of directors of promoter Group have been included in pt.1 and pt.2. Besides them, the following is the only other director of the promoter group holding shares in the Company:

S. No.	Name of director and the Promoter group in which he / she is director	No. of shares held	% of pre-issue paid up share capital
1.	Dr. D Jayavarthanavelu	11,250	0.03
Total		**11,250**	**0.03**

4. Details of the transactions in Equity Shares by the Promoter, the Promoter Group, and the Directors during the last six months

Apart from Mr. Atul Pande, Managing Director, who has made the following purchases in the last six months, none of the other Directors, Promoters or Promoter Group members have entered into any transaction in the Equity shares in the last six months

Date	No. of Equity Shares purchased	Amount (in Rs.)
March 9, 2007	95	10,285.65
March 12, 2007	1,905	207,011.04
May 18, 2007	2,000	240600
May 24, 2007	2,000	244000
Total	**6,000**	**701,896.69**

Top Ten Shareholders of the Company

1. Top ten Shareholders as of September 7, 2007

S. No.	Name of the shareholder	No. of shares	% to share capital
1.	DBS Bank Ltd.	14,221,985	37.48
2.	Tube Investments of India Ltd.	11,738,498	30.93
3.	Premier Investment Fund Limited	463,400	1.22
4.	A M M Arunachalam & Sons Pvt. Ltd.	412,500	1.09
5.	M A Alagappan	331,646	0.87
6.	Lakshmi Machine Works Limited	195,750	0.52
7.	Adurjee & Bros Pvt. Ltd.	168,700	0.44
8.	Arun Alagappan	160,000	0.42
9.	M V Murugappan	135,000	0.36
10.	Susim Mukul Datta	130,000	0.34
Total		**127,962,479**	**73.67**

2. Top ten Shareholders as of September 4, 2007, being ten days prior to the date of filing of this Letter of Offer with SEBI.

S. No.	Name of the shareholder	No. of shares	% to share capital
1.	DBS Bank Ltd.	14,221,985	37.48
2.	Tube Investments of India Ltd.	11,738,498	30.93
3.	Premier Investment Fund Limited	464,821	1.23
4.	A M M Arunachalam & Sons Pvt. Ltd.	412,500	1.09
5.	M A Alagappan	331,646	0.87
6.	Lakshmi Machine Works Limited	195,750	0.52
7.	Adurjee & Bros Pvt. Ltd.	168,700	0.44
8.	Arun Alagappan	160,000	0.42
9.	M V Murugappan	135,000	0.36
10.	Susim Mukul Datta	130,000	0.34
Total		**27,958,900**	**73.67**

3. Top ten shareholders as of two years prior to the date of filing the Letter of Offer with SEBI

S. No.	Name of the shareholder	No. of shares	% to share capital
1.	Tube Investments of India Ltd.	18,522,973	48.81
2.	Ambika Kapur	682,890	1.80
3.	HWIC Asia Fund Class A Shares	637,125	1.68
4.	Sumant Kapur	597,700	1.58
5.	R Visalakshi	595,000	1.57
6.	P Surendra Pai	450,000	1.19
7.	The Indiaman Fund (Mauritius) Limited	307,199	0.81
8.	M A Alagappan	569,146	0.50
9.	Dunbridge Investments Ltd.	195,576	0.52
10.	Indiabulls Financial Services Ltd	178,334	0.47
Total		**22,735,943**	**59.93**

NOTES:

1. Total number of members of the Company as of September 7, 2007 was 17,095.

2. The present Issue being an issue to existing Shareholders of the Company on rights basis, as per extant SEBI guidelines, the requirement of promoters' contribution and lock-in are not applicable.

3. The Board has vide a resolution passed in their meeting dated June 22, 2007, approved an issue of stock options up to a maximum of 5% of the issued equity capital of the Company aggregating to 19,04,162 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 8l(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 19,04,162 Equity Shares of the Company under one or more Employee Stock Option Scheme (s). The compensation and Nomination committee on July 30, 2007, approved the grant of 7,65,900 options to a list of senior level executives of the Company and some of its Subsidiaries in Band I in accordance with the Stock Option Scheme - 2007 of Cholamandalam DBS Finance Ltd. The exercise price of the grants is Rs.193.40 being the closing price of the equity shares of the Company on National Stock Exchange Limited, being the Stock Exchange where there was highest trading volume, on July 27, 2007, being the day prior to the date of the resolution approving the grant. The option will vest to the employees over a period of four years with effect from July 30, 2008.

4. The Company has not availed of bridge loans to be repaid from the proceeds of the Issue.

5. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares as on the date of filing of this Letter of Offer.

6. The Company made a bonus issue of 800,000 shares on December 26, 1990 of Rs 10 each. Other than this allotment, the Company has not issued any shares for consideration other than cash.

7. On October 31, 2001 the Board passed a resolution whereby it forfeited 130,900 partly paid shares.

8. The Promoters or promoter group or Directors of the Company or Lead Manager of the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Letter of Offer.

9. The terms of issue to Non-Resident Equity Shareholders/Applicants have been presented under the section "Terms of the Issue" on page 258 of this Letter of Offer.

10. At any given time, there shall be only one denomination of the Equity Shares of the Company.

11. No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of the Company, shall be made during the period commencing from the filing of the Letter of Offer with the SEBI and the date on which the Equity Shares issued under the Letter of Offer are listed or application moneys are refunded on account of the failure of the Issue. Further, presently the Company does not have any intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares on a preferential basis or issue of bonus or rights or pubic issue of shares or any other securities within a period of six months from the date of opening of the Issue.

12. The Issue will remain open for 32 days. However, the Board will have the right to extend the Issue period as it may determine from time to time, provided however that such extension shall not exceed 60 days from the Issue Opening Date.

OBJECTS OF THE ISSUE

Our Company intends to use the proceeds of Issue for the following purposes –

(i) The proceeds from the issue of Equity Shares on rights basis shall be used for strengthening our capital base, augment our long term resources to leverage our growing business; for onward loan disbursements; redeem / prepay short term borrowings in part or in full; open new branches and invest in subsidiaries.

(ii) Proceeds from the exercise of warrants shall be utilized to pursue organic and inorganic growth opportunities.

The net proceeds of the Issue after deducting Issue related expenses are estimated to be Rs. 19766.15 lakhs.

BREAK UP OF ISSUE PROCEEDS

The details of proceeds of the Issue are summarized in the following table –

Proceeds	Rs. in lakhs
Gross proceeds of the Issue	19921.90
Less: Issue related expenses	155.75
Net proceeds of the Issue	**19766.15**

REQUIREMENT AND SOURCES OF FUND

Requirement of funds

The details of requirement of funds are summarized in the table below –

From proceeds from issue of Equity Shares

Requirement of funds	Amount (In Rs. Lakhs)
Strengthen capital base, augment long term resources, disbursement of loans and Redeem / prepay short term borrowings in part or in full	17,766.15
Opening of new branch offices	1,000
Investment in subsidiaries	1,000
Issue Expenses	155.75
Total	**19921.90**

Proceeds from conversion of warrants

We, as approved by the Board from time to time, will utilize funds raised through conversion of detachable warrants for capitalizing on new business opportunities that may arise from organic or inorganic means, including expansion of our locations / branches, expansion of business etc.

The detachable warrants can be exercised during the warrant exercise period.

If all the detachable warrants are not exercised by the warrant holders during the Warrant Exercise Period then the proceeds from detachable warrant will reduce. In such eventuality, the balance of amount required for financing the organic/inorganic growth opportunities as specified above shall be part financed from internal accruals/external borrowing as approved by the management of the Company.

Please refer to the section "Terms of the Issue" on page 258 of this Letter of Offer for the terms of the warrants.

Source of funds

The Company proposes to fund the objects through the Issue proceeds.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. Further, we confirm that our registration under the NBFC regulations allows us to carry out the activities currently being carried out. The total estimated expenditure to be incurred to finance the objects of the Issue is based on our current business plans and internal management estimates.

DESCRIPTION OF VARIOUS HEADS OF OUR OBJECTS

Strengthen our capital base, augment our long-term resources to leverage our growing business, onward loan disbursements and redeem and / or prepay in part or in full our short term borrowings.

RBI, which regulates our business, requires us to maintain a minimum capital to risk weighted assets and off balance sheet items ratio of 10%, (effective December 12, 2006) at least half of which should consist of Tier I capital. The disbursements and business is directly related to the amount of Tier I and II capital. Our total capital adequacy ratio was 12.12% and 14.83 % as of March 31, 2007 and 2006 respectively. Also, our debt to equity ratio was 10.00:1 and 5.57:1 as of March 31, 2007 and 2006 respectively. Thus, by infusion of fresh equity share capital pursuant to the Issue we would be in a position to expand our business by leveraging our emerging balance sheet position. Further, the equity infusion will also enable us to improve our capital adequacy ratios as well as total debt to equity ratios.

The total borrowing of the Company as per the unconsolidated audited financial statements as of March 31, 2007 amounts to Rs. 3,21,883 lakhs out of which short term borrowings amount to Rs. 153,299 lakhs. Out of the total proceeds of the Issue we intend to redeem and / or prepay in part or in full to the extent of Rs. 15,000 lakhs.

Opening of new branch offices

All our businesses and branches across India are controlled from our central office located at 'Dare House' No.2, N.S.C. Bose Road, Parry's Chennai. Through our central office we control the operations of our regional offices, centralised processing units, sales and sales support, spread across various business locations in India. As per our internal estimates, we further require about 1,50,000 sq ft of additional space in the next 2 to 3 years for our retail business, regional offices and business locations. Depending upon the availability at a fair price, these properties will be either owned or leased.

The Board in its meeting held on March 26, 2007 approved the business plan for FY 2007-08 according to which we plan to earmark about Rs 1,000 lakhs to be funded through the proceeds of the Issue towards increasing our geographical footprint in new locations. We believe that opening offices in new locations will increase our reach to new customers. We propose to open 75 more branch offices by the end of FY 2007-2008.

Based on our internal estimates the cost of setting up a branch with an average carpet area of Rs 1,500 sq. feet is about Rs.1750/- per sq ft. The cost will primarily consists of interior work expenses, personal computers, printers, air conditioners, electrical work, cabling and modular work.

Investment in DCDL and DCSec

We plan to invest up to Rs. 1,000 Lakhs in DCDL and DCSec.

The Company proposes to invest Rs. 7.5 crores by way of subscription in the equity share capital of DCDL and a further amount of Rs. 2.5 crores by way of subscription in equity share capital of DCSec to support their business growth / capital requirements.

The proposed investment in DCSec will enable DCSec to grow its Depository Participant business. The SEBI (Depositories and Participants) Regulations, 1996 provides that value of portfolio of securities of the beneficial owners held in dematerialized form in a depository, should not exceed 100 times of its net worth for the depository participant having a net worth of less than Rs. 10 crores. However there is no such restriction in case of depository participant having a net worth of Rs. 10 crores or more. Currently DCSec is having assets close to 93 times of its net worth and with the proposed investment its net worth would reach to Rs. 10 crores and subsequent to which it would no longer have to comply with the aforesaid restrictions.

The proposed investment in DCDL would assist the DCDL to meet its business expansion related expenditures and growth by branch expansion across India.

DCDL and DCSec are wholly owned subsidiaries of the Company. The Company has taken the necessary Board approval for these investments at its Board Meeting held on July 30, 2007. Further, both DCDL and DCSec have taken their respective Board approvals for the same.

Issue expenses

The total expenses of the Issue are estimated to be approximately Rs. 155.75 lakhs. The Issue related expenses include, among others, Issue management fees, registrar fees, printing and distribution expenses, fees of the legal counsels, advertisement, listing fees to the Stock exchanges etc. The break-up of total expenses for the Issue estimated at approximately 0.78% of the Issue Size is as under –

Category	Estimated expenses (Rs. in lakhs)	% of the Issue Expenses	% of total Issue Size
Fees to the Lead Manager	100	64.21	0.50
Fees for the Registrar to the Issue, Legal advisors and auditors	39	25.04	0.20
Advertising and Publicity Expenses	8.5	5.46	0.04
Printing, Postage, Stationery Expenses	6.25	4.01	0.03
Contingency, Stamp duty, Listing Fees	2	1.28	0.01
Total	**155.75**	**100**	**0.78**

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirements and deployment of funds may also change. This may also include rescheduling the proposed utilization of net proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of net proceeds. In case of a shortfall in the net proceeds of the issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall.

INTERIM USE OF FUNDS

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including investments in mutual funds, deposits with banks and investments in mutual funds (or money market mutual funds), for the necessary duration or for reducing overdrafts. The Company also intends to repay some of its short term borrowings, raised in the normal course of its business, through sources such as issue of commercial papers, issue of short term MIBOR linked non convertible debentures, short term loans from banks etc., to save on the interest cost and to make available the funds later for loan disbursements. The Company confirms that these borrowings have been made only by the Company and not by its subsidiaries or its associate companies. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the net proceeds of the Issue which primarily supports the capital adequacy ratio of the Company and will be used in the business of the Company for its disbursements of loans, repayment of high cost funds at that point in time etc.

MONITORING OF FUNDS

Our Audit Committee will monitor the utilization of the Issue proceeds. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for Fiscal 2008, Fiscal 2009 and Fiscal 2010, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement. No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, Promoter group companies or key managerial employees, except in the normal course of our business.

BASIS FOR ISSUE PRICE

The Issue Price of Rs. 140 has been determined by our Company in consultation with the Lead Manager. The face value of the equity shares is Rs 10 and the Issue price is 14 times the face value.

QUALITATIVE FACTORS

- ***Low NPAs :*** For details relating to the Low NPAs refer to section titled "Our Business-Our Strengths" on page 41 of this Letter of Offer.
- ***Wide range of financial products and services***
- ***Pan India distribution network***
- ***Well-established brand***
- ***Experienced management team***
- ***Strength of the Promoters***
- ***Credit Ratings and low cost of funds***

Please refer to the section titled 'Our Business' on page 41 of this Letter of Offer, to obtain more information on the above Qualitative Factors

QUANTITATIVE FACTORS

Adjusted Earning per Share (EPS) (basic)

Year ended	Face Value per Share (Rs. 10 per share) unconsolidated financials		Face Value per Share (Rs. 10 per share) consolidated financials	
	RUPEES	WEIGHT	RUPEES	WEIGHT
Fiscal 2005	9.62	1	8.69	1
Fiscal 2006	8.97	2	8.83	2
Fiscal 2007	9.38	3	8.71	3
Weighted Average	**9.28**		**8.75**	

Notes:

1. The Earning per Share has been computed on the basis of the restated profits and losses of the respective years drawn after considering the impact of material adjustments of prior period items pertaining to the earlier years and excluding extraordinary items.
2. The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

Price/Earning (P/E) ratio in relation to Rights Issue Price of Rs 140 per Equity Share

1. Based on unconsolidated adjusted EPS for Fiscal 2007 being 14.93.
2. Unconsolidated Weighted average EPS being 15.09
3. Industry P/E –

Highest	233.0
Lowest	1.6
Industry Composite	28.6

Source: *Capital Market, dated July 16 – 29, 2007*

Return on Net Worth (based on Unconsolidated Financials)

Year ended	RONW (%)	Weight
Fiscal 2005	11.93	1
Fiscal 2006	11.37	2
Fiscal 2007	11.06	3
Weighted Average	**11.31**	

Minimum Return on Increased Net Worth (based on Unconsolidated Financials) after the Issue required to maintain pre-issue EPS is 9.39%

Net Asset Value per Equity Share(based on Unconsolidated Financials)

As at March 31, 2007	Rs. 84.82
After the Issue	Rs. 99.87
Issue Price per share	Rs. 140

Net Asset Value per Equity Share represents Net Worth, as restated divided by the number of Equity Shares outstanding at the end of the period.

Comparison with Industry Peers

FY 2007	EPS (Rs.)	NAV (Rs.)	P/E	RONW (%)
Cholamandalam DBS Finance Limited	9.38	84.82	25.20	11.06
Sundaram Finance Limited	36.1	316	12.2	11.9
Shriram Transport Finance Limited	10.3	57.9	15.7	27.7
Indiabulls Financial Services	6.9	113.6	84	11.1
Bajaj Auto Finance Limited	12.8	281.7	28.6	6.4

Source: *Capital Market, dated July 16 – 29, 2007*

The Issue price is 14 times of the face value of the Equity Shares.

On the basis of the above qualitative and quantitative parameters, the Lead Manager and the Company are of the opinion that Issue price of Rs. 140 per Equity Share is justified.

STATEMENT OF TAX BENEFITS

As per the present provisions of the Income Tax Act, 1961 (hereinafter referred to as the "IT Act") and other laws as applicable for the time being in force in India, the following tax benefits are available to the Company and to the shareholders of the Company, subject to fulfillment of prescribed conditions.

The current position of tax benefits available to the Company and to its shareholders is provided for general information purposes only. In view of the individual nature of tax benefits, each investor is advised to consult its own tax consultant with respect to the specific tax implications arising out of its participation in the issue.

SPECIAL TAX BENEFITS TO THE COMPANY

NIL

GENERAL TAX BENEFITS TO THE COMPANY

1. In accordance with section 10(34), dividend income (referred to in section 115-O) declared, distributed or paid will be exempt from tax.

2. The depreciation rates in respect of Plant and Machinery has been reduced to 15% from 25%, of Motor Cars reduced to 15% from 20% and furniture and fittings reduced to 10% from 15%

3. The amount of tax paid under Sec.115JB by the company for any assessment year beginning on or after 1st April 2006 will be available as credit for seven years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Sec.115JAA.

4. In case of loss under the head "Profit and Gains from Business or Profession", it can be set-off with other income and the excess loss after set-off can be carried forward for set-off with the income of the next eight Assessment Years.

5. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off with the income of future years.

6. If the company invests in the equity shares of another company, as per the provisions of Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income if the transaction is chargeable to securities transaction tax.

II. Section 115O

Tax on distributed profits of domestic companies. Increase in rate to 15%, the surcharge on Income tax remains at 10%, increase in education cess to 3%

III Tax Rates

The tax rate is 30%.
The surcharge on Income tax is 10%.
Education cess is increased to 3%

IV Fringe Benefit Tax

The company will be liable to Fringe Benefit Tax in accordance with Chapter XII H of the Income Tax Act.

SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF THECOMPANY

NIL

GENERAL TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY

(I) Under the Income-tax Act

Residents

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax.

2. Shares of the Company held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset.

3. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income if the transaction is chargeable to securities transaction tax.

4. As per the provision of Section 71, if there is a loss under the head "Capital Gains", it cannot be set-off with the income under any other head. Section 74 provides that the short term capital loss can be set-off against any long term capital gain. But Long term capital loss cannot be set-off against short term capital gain.

5. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:

   (a) 20 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') of the capital gains as computed after indexation of the cost. or

   (b) 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') of the capital gains as computed without indexation.

6. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

7. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company on which securities transaction tax is not payable, shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified asset notified for the purpose of investment is Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

8. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares;

and

- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

Tax Rates:

1. Individuals, HUFs, BOI and Association of Persons:

(i) The Income tax exemption limit has been raised from Rs.1, 00,000/- to Rs 1, 10,000

(ii) Women residents of India and below the age of 65 years:

The Income tax exemption limit has been raised from Rs.1, 35,000/-to Rs 1, 45,000

Surcharge at 10% will be payable only in respect of total income exceeding Rs.10, 00,000/-

Education cess is increased to 3%

2. Senior Citizens

Tax Rates:

i) Individuals residents of India and above the age of 65 years:

The Income tax exemption limit has been raised from Rs.1, 85,000/- to Rs 1, 95,000

Surcharge at 10% will be payable only in respect of total income exceeding Rs.10,00,000/-

Education cess is increased to 3%

B) I. Non-Residents

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax.

2. In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the Company, and such transaction is not chargeable to securities transaction tax, shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the

aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Company.

3. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be at the rate of 20% (plus applicable surcharge and additional surcharge called as 'Education Cess').

   A non-resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long-term capital gain on sale of shares.

4. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

5. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified asset notified for the purpose of investment is Rural Electrification Corporation Ltd. (REC) and

   National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

   6. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family, and on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual or Hindu Undivided Family-

      a. owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
      b. purchases another residential house within a period of one year after the date of transfer of the shares; or
      c. constructs another residential house with in a period of three years after the date of transfer of the shares; *and*
      d. the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be

income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

II Non-Resident Indians

Further, a Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, according to which:

1. In accordance with section 115E, income from investment or income from long-term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% (plus applicable surcharge and additional surcharge called "Education Cess"). In case of income by way of long term capital gains in respect of a specified asset, shall be chargeable at 10% plus applicable surcharge and additional surcharge called "Education Cess").

2. In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gains arising from transfer of shares of the Company acquired out of convertible foreign exchange, and on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is invested within six months of the date of transfer in any specified asset.

3. In accordance with section 115G, it is not necessary for a Non-Resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the Company acquired out of convertible foreign exchange or income by way of long-term capital gains earned on transfer of shares of the Company acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act.

4. In accordance with section 115-I, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the Company) will be computed and tax will be charged according to the other provisions of the Income-tax Act.

5. As per the provisions of Section 90, the NRI shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

C) Foreign Institutional Investors (FIIs)

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax in the hands of Foreign Institutional Investors (FIIs).

2. In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge and additional surcharge called as 'Education Cess') on long-term capital gains, if securities transaction tax is not payable on the transfer of the shares, and at 10% (plus applicable surcharge and additional surcharge called as 'Education Cess') on short-term capital gains arising on the sale of the shares of the Company which is subject to securities transaction tax.

D) Persons carrying on business or profession in shares and securities.

In accordance with Section 88E where the total income includes income chargeable under the head "profits and gains of business or profession" arising from taxable securities transactions, an amount equal to the securities transaction tax paid will be available as deduction from the amount of income-tax on such income arising from such transactions subject to the other applicable conditions.

E) Mutual Funds

In accordance with section 10(23D), any income of:

(i) a Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made there under;

(ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf,

- will be exempt from income-tax.

(II) Under the Wealth Tax and Gift Tax Acts

1) 'Asset' as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, these are not liable to wealth-tax.

2) Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift-tax.

SECTION VI: ABOUT US

THE INDUSTRY IN WHICH THE COMPANY OPERATES

THE INDIAN ECONOMIC SCENARIO

Macro Economic Scenario

[*Source: Economic Survey 2006-2007; Ministry of Finance, Government of India; text available at – http://indiabudget.nic.in/es2006-07/chapt2007/chap11.htm*]

The Indian economy has seen a significant growth in the last few years. The last Fiscal year saw the Indian Gross Domestic Product ("GDP") grow at 9.0% as against the advance estimate of 8.1 made in February of 2006. This growth rate has been one of the highest ever, and as per the advance estimate released by Central Statistical Organisation ("CSO") on February 7, 2007, the growth rate of the Indian GDP in the present Fiscal year is expected to reach 9.2%.

The ratcheting up of growth observed in recent years is reflected in the Eleventh Five Year Plan target of an average annual growth of 9% relative to 8% targeted by the Tenth Plan (2002-03 to 2006-07).

The notable feature of the current growth phase is the sharp rise in the rate of investment in the economy. Investment, in general being a forward-looking variable, reflects a high degree of business optimism. The revival in gross domestic capital formation (GDCF) that commenced in 2002-03 has been followed by a sharp rise in the rate of investment in the economy for four consecutive years. The earlier estimates of GDCF for 2004-05 of 30.1%, released by CSO in their advance estimates, now stand upgraded to 31.5% in the quick estimates. The rate of GDCF for 2005-06 as per the quick estimates released by CSO is 33.8%. This sharp increase in the investment rate has sustained the industrial performance and reinforces the outlook for growth.

Services sector growth has continued to be broad-based. Among the three sub-sectors of services, 'trade, hotels, transport and communication services' has continued to boost the sector by growing at double-digit rates for the fourth successive year. Impressive progress in information technology (IT) and IT-enabled services, both rail and road traffic, and fast addition to existing stock of telephone connections, particularly mobiles, played a key role in such growth. Growth in financial services (comprising banking, insurance, real estate and business services), after dipping to 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07.

While GDP growth accelerated from 7.5% to 9.0% between 2004-05 and 2005-06, the corresponding acceleration in growth of broad money was from 12.3% to 17.0%. Year-on-year, broad money grew by 21.1% on January 19, 2007. The industrial resurgence and upswing in investment was reflected in, and sustained by, growth of gross bank credit (as per data covering 90% of credit by scheduled commercial banks), for example, to industry (medium and large) at 31.6% and for housing loans at 38.0% in 2005-06. It was also observed in year-on-year growth of gross bank credit at 32.0% in September 2006, albeit marginally down from 37.1% in 2005-06.

Liquidity conditions remained fairly comfortable up to early September 2006 with the unwinding of the Central Government surplus balances with the RBI and continued intervention in the foreign exchange market to maintain orderly conditions. During 2006-07, up to September 8, 2006, RBI had not received any bid for repo under liquidity adjustment facility (LAF) and the continuous flow of funds under reverse-repo indicated a comfortable liquidity position.

Driving the fast growth of reserve money was net foreign assets (NFA) of the RBI. Even with the redemption of the India millennium deposits, NFA of the RBI grew by Rs. 60,193 crore and contributed 12.3 percentage points to the 17.2 per cent growth in reserve money during 2005-06. The corresponding growth of NFA between end-March 2006 and January 19, 2007 was Rs. 114,338 crore.

Foreign exchange reserves grew from US$141.5 at end-March 2005 to US$151.6 billion at end-March 2006, and to US$165.3 at end-September, 2006. Such reserves were US$185.1 billion on February 9, 2007.

The buoyancy of foreign investment flows through the balance of payments, in part, reflected the bullish sentiments in the domestic capital markets. The BSE Sensex, the bell-weather stock-index of the Bombay

Stock Exchange (BSE), rallied from a low of 8,929 on June 14, 2006 to an all-time intra-day high of 14,724 on February 9, 2007. The rally from the 13,000 mark to the 14,000 mark in only 26 trading sessions was the fastest ever climb of 1,000 points. India with a market capitalization of 91.5 per cent of GDP on January 12, 2007 compared favourably not only with emerging market economies but also with Japan (96 per cent) and South Korea (94.1 per cent). The strength of the market micro-structure from large retail participation continued.

The positive sentiments were manifest also in most indicators such as resource mobilized through the primary market. Aggregate mobilization, especially through private placements and initial public offerings (IPOs), grew by 30.5% to Rs. 161,769 crore in calendar year 2006, with about 6 IPOs every month, on average. Net mobilisation of resources by mutual funds increased by more than four-fold from Rs. 25,454 crore in 2005 to Rs. 1,04,950 crore in 2006. The sharp rise in mobilisation by mutual funds was due to buoyant inflows under both income / debt oriented schemes and growth / equity oriented schemes. The negative inflows in 2004 turned positive for the public sector mutual funds in 2005 and accelerated in 2006. Other indicators of market sentiments, such as equity returns and price / earnings ratio also continued to be strong and supportive of growth.

The upbeat mood of the capital markets, reflecting the improved growth prospects of the economy, was partly also a result of steady progress made on the infrastructure front. Overall index of six core industries — electricity, coal, steel, crude oil, petroleum refinery products, and cement registered a growth of 8.3 per cent in April-December 2006 compared to 5.5 per cent in April-December 2005.

Table I

	2002-03	2003-04	2004-05	2005-06
GDP Growth Rate	3.8%	8.5%	7.5%	9%

[*Source: http://www.cseindia.org/programme/nrml/prebudget_economic_survey.html*]

Table II

	2002-03	2003-04	2004-05	2005-06
GDP Growth Rate (In Rs. Million) *	22,653,040	25,494,180	28,559,330	32,509,320

**at current prices*

[*Source: Economic Survey 2006-2007; Ministry of Finance, Government of India; text available at – http://www.indiabudget.nic.in/es2006-07/esmain.htm*]

NON BANKING FINANCE COMPANIES

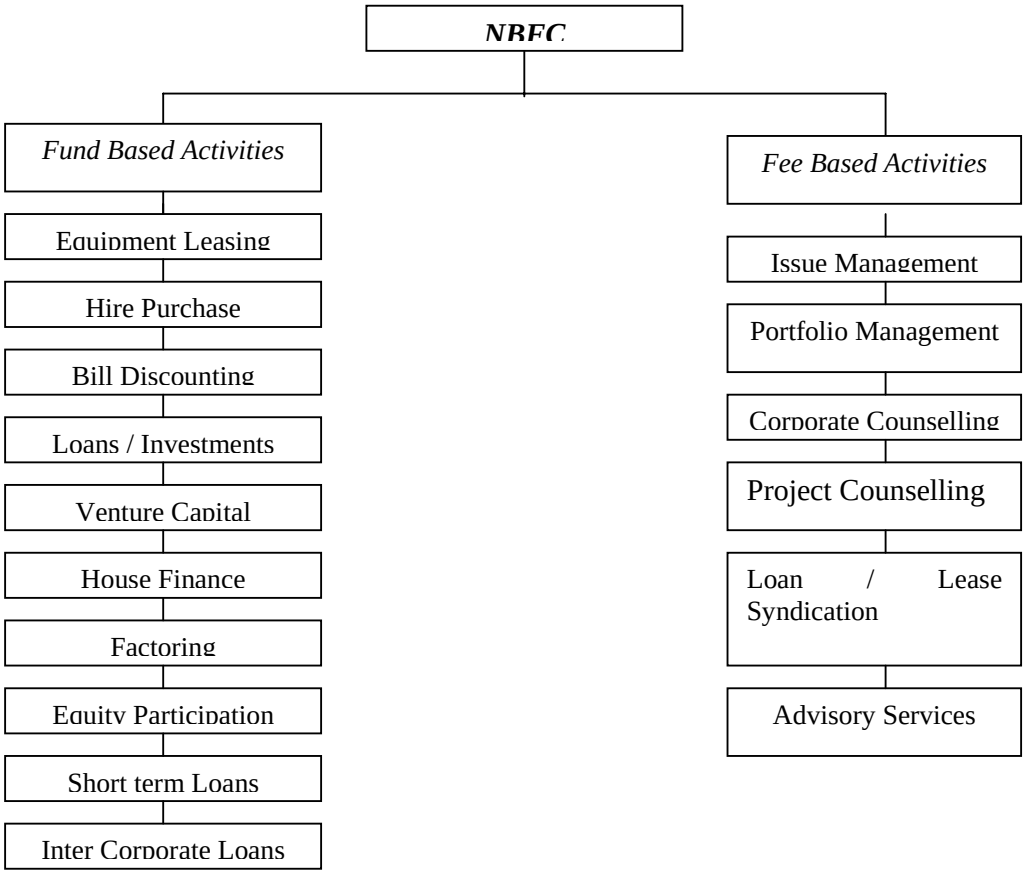
Overview

Non-Banking Finance Companies (NBFCs) are an integral part of the country's financial system complementing the services of commercial banks. The main reason attributed to the growth of NBFCs is the comprehensive regulation of the banking system. Other factors include higher level of customer orientation, lesser pre / post sanction requirements and higher rates of interest on deposits being offered by NBFCs.

NBFCs have traditionally been extending credit across various parts of the country through their geographical presence, with NBFCs being a supplier of credit to segments such as equipment leasing, hire purchase, housing finance and consumer finance. These are areas which warrant infusion of financing due to the existing demand-supply gap. NBFCs have been a more flexible source of financing and have been able to disburse funds to a gamut of clientele, from the local common man to a variety of corporate clientele. NBFCs are also able to accelerate the pace of decision making to disburse funds, customise and tailor their products according to the client needs and take on excess risks on their portfolio.

NBFCs can be divided into deposit taking NBFCs, i.e., which accept deposits from public and non-deposit taking NBFCs being those which do not accept deposits from public.

The activities carried out by NBFCs in India can be grouped as under –



Even though the NBFCs are performing functions akin to that of banks, there are, however, a few differences –

(i) NBFC cannot accept demand deposits;
(ii) NBFCs are not a part of the payment and settlement system and as such cannot allow its customers to operate their accounts through issue of cheques; and
(iii) Deposit insurance facility of Deposit Insurance and Credit Guarantee corporation ("**DICGC**") is not available for NBFC depositors unlike in case of banks.

Initially, the NBFCs registered with RBI could operate as –

(i) Equipment leasing company;
(ii) Hire-purchase company;
(iii) Loan company; and
(iv) Investment company.

However, with effect from December 6, 2006, the NBFCs registered with RBI have been reclassified as –

(i) Asset Finance Company (AFC)
(ii) Investment Company (IC); and
(iii) Loan Company (LC)

Regulation of NBFCs

Although NBFCs have been in operation for a long time, serious attempts to regulate them started only in the 1960s. In 1963 the Reserve Bank of India Act, 1934, was amended vide the Banking Laws (Miscellaneous Provisions) Act, 1963, and a new Chapter IIIB containing provisions relating to non-banking institutions receiving deposits and financial institutions" was inserted.

The Reserve Bank of India is entrusted with the responsibility of regulating and supervising the Non-Banking Financial Companies By virtue of powers vested in Chapter III B of the Reserve Bank of India Act, 1934, the RBI was entrusted with the responsibility of regulating and supervising the operations of NBFCs. The regulatory and supervisory objectives being to ensure –

(i) healthy growth of the financial companies;
(ii) that these companies function as a part of the financial system within the policy framework, in such a manner that their existence and functioning do not lead to systemic aberrations; and that
(iii) the quality of surveillance and supervision exercised by the Bank over the NBFCs is sustained by keeping pace with the developments that take place in this sector of the financial system.

A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45-I A of the RBI Act, 1934, should have a minimum net owned fund of Rs 25 lakh (raised to Rs 200 lakh w.e.f April 21, 1999). The company is required to submit its application for registration in the prescribed format alongwith necessary documents for Bank's consideration. The Bank issues Certificate of Registration after satisfying itself that the conditions as enumerated in Section 45-IA of the RBI Act, 1934 are satisfied.

In addition to the above, the RBI in order to ensure effective regulation of NBFCs issued the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Direction, 1998, and the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Direction, 1998, on January 31, 1998. The Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Direction, 1998, apply to a non-banking institution which is a loan company, investment company, asset management company, or a mutual benefit financial company.

Subsequently, on February 22, 2007, the RBI issued two different directions for deposit taking and non deposit taking NBFCs, namely, "Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007" [Notification No. DNBS.192 / DG (VL)-2007], and Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007" [Notification No. DNBS. 193 DG(VL)-2007]. These two direction have repealed the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Direction, 1998, on January 31, 1998.

Apart from the above mentioned directions operations of the NBFCs are also subject to compliances with the master circulars and notifications issued by the RBI from time to time.

VEHICLE FINANCE

Overview

Automotive industry, comprising of the automobile and auto-component sectors, is one of the key segments of the economy with extensive forward and backward linkages with other key segments of the economy. Installed capacity of the industry has been growing at a compounded annual rate of over 16 per cent since 2001-02. The automobile industry produced a wide variety of vehicles including 17 lakh four wheelers (passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles such as jeeps), and over 80 lakh two and three wheelers (scooters, motor-cycles, mopeds, and three wheelers). [*Source: Economic Survey 2006-2007; Ministry of Finance, Government of India; text available at – http://indiabudget.nic.in/es2006-07/chapt2007/chap73.pdf*]

Key growth drivers

The vehicle finance sector, which consists of banks, manufacturer owned finance companies and independent non-affiliated finance company has seen a 32% growth for the year ended March 31, 2007. The key growth drivers have been

(i) Rising per capita income;
(ii) Strong GDP growth;
(iii) Large investments in infrastructure, in particular, improvements in condition of roads coupled with an increase in the road network; and
(iv) Healthy growth in sales of vehicles.

CONSUMER / PERSONAL FINANCE

Overview

A strong GDP growth coupled with increasing purchasing power of a burgeoning middle class has resulted in the exponential growth of the consumer finance industry in the recent years. The demand for bank credit has been growing at above 30 per cent for the third year in succession, specifically in sectors such as housing, commercial real estate and retail loans. Improving credit evaluation techniques also resulted in widening the customer base who were hitherto dependent on the unorganized sector. This is reflected in the significant growth of consumer loans especially in sectors like auto loans, personal loans and credit cards.

Key growth drivers

(i) Rising per capita income;
(ii) Organized players replacing the unorganized players
(iii) Lower interest rates as compared to rates offered by unorganized players
(iv) Availability of better credit information of borrowers

CORPORATE AND MORTGAGE FINANCE

Overview

The economy has grown at an impressive rate of 9% in Fiscal 2006-07, and is expected to witness a growth rate of over 9% in Fiscal 2007-08.

The increasing growth rate has fuelled funding requirements by corporates for working capital and expansion, small and medium enterprises for growth, promoters to meet their equity contributions for projects and high networth individuals to augment their investments..

Key growth drivers

(i) Healthy growth in the economy
(ii) Surge in capital market
(iii) Large investments by corporates
(iv) Increased funding requirements by corporate houses for expansion and modernization programmes to augment their growth and to maintain competitive edge.

HOME EQUITY

Overview

The Home Equity Business has finally begun to take shape in India. With India holding amongst the largest stock of freehold urban property (Estimated at Rs 10000 Bn**) many financial institutions have undertaken this business. The industry has seen tremendous growth at a CAGR of 70* % over the last 5 years and industry experts believe that this is only the tip of the iceberg.

Home Equity is fast becoming the easiest way of raising low cost long term credit for the Indian business class. This coupled with the fact that household credit penetration in India is at 10% ^^ as compared to developed nations that average at 60%^^ are fueling the growth of the home equity business. Industry

estimates for the FY ended March'08 are at Rs.30000*Cr of disbursements as compared to Rs 10000 *Cr for FY ended March'07.

The National Housing Board is also very actively framing guidelines for the home equity business and has taken initiatives to bring in new products such as the home equity line of credit and reverse mortgage.
[*Source:* ** Census of India 2001, *Industry Estimates,^^Edelweiss Report]

Key growth drivers

The growth being witnessed by the sector can be attributed to the following factors –

(i) Rising per capita income;
(ii) Low credit penetration
(iii) Large stock of urban freehold property.
(iv) Fast developing secondary real estate market
(v) Growing home ownership

OUR BUSINESS

We are a non-banking finance companies focused on the retail asset financing and have a strong total assets base of Rs. 4,485 crores (including assets securitized and assigned). Our Promoters are entities belonging to the Murugappa group and DBS Group of Singapore, who own 37.48% each of the Company's outstanding equity shares.

The Murugappa Group, a business conglomerate having interest in diverse areas of business viz. engineering, abrasives, finance, general insurance, sanitary ware, cycles, sugar, farm inputs, fertilizers, plantations, bio products and nutraceuticals. The group has forged joint venture alliances with international companies like Roca of Spain, Cargill of Geneva, Cerdak of South Africa, Jingri Diamond Industrial Company of China, DBS Bank of Singapore, Mitsui Sumitomo of Japan and Groupe Chimique Tunisien of Tunisia and has consolidated its status as a diversified business house in India.

DBS Bank Ltd is the wholly-owned subsidiary of DBS Group Holdings Ltd of Singapore ("DBS"). DBS is one of the largest financial services groups in Asia with operations in 15 markets and is listed on the Singapore Stock Exchange. DBS Bank had an asset base of approximately 156 billion Singapore dollars as at December 2006. The Bank enjoys credit ratings of "AA-" and "Aa1".

The Company was incorporated as a public limited company on August 17, 1978. We are a registered Non-banking finance company (NBFC) in terms of Section 45 IA of the Reserve Bank of India Act, 1934. We commenced our operations by offering equipment finance through lease and hire purchase finance to corporate entities. Vehicle finance operations were commenced in 1993 – 94, to broad base the product portfolio and to participate in the burgeoning retail finance business. Further, the Company also entered in mid 90's the Corporate and Mortgage finance product which caters to the corporates, promoters and high networth individuals (HNI) clientele by offering finance against shares, secured finance for working capital requirements and loan against property. Early 2006, the Company entered personal loans business, an unsecured product and in January 07 it entered the home equity business, for finance against the security of properties.

The Company has been a deposit accepting NBFC until recently. However, over the past few years, investors have been opting for mutual funds and bank deposits due to better returns, liquidity as well as tax benefits. Consequently, as the public deposit schemes were losing its attractiveness, the Company chose to exit from deposit taking activities. Effective November 1, 2006 the Company changed its status with necessary Board and RBI approvals and obtained a new Certificate of Registration from the RBI as a ND-NBFC bearing registration number B-07.00306 dated December 11, 2006.

We offer various auto finance products to cater to transport operators, small businesses and self-employed and salaried individuals. The Company also provides finance against shares to promoters and high networth individuals and other secured form of lending through its capital market finance division, besides personal loans. The Company has diversified into related financial services like mutual funds, financial advisory and wealth management services and stock broking through its subsidiaries. To increase its presence in the financial services sector, it promoted DBS Cholamandalam Asset Management Ltd, DBS Cholamandalam Trustees Ltd, DBS Cholamandalam Distribution Ltd and DBS Cholamandalam Securities Ltd as subsidiaries.

Our goal is to be the preferred provider of retail financial services having presence all over India. Our strategy is to provide a range of financial products and services to our customers through our nationwide distribution network. We seek to position ourselves between the organised banking sector and local money lenders, offering our customers competitive, flexible and speedy services.

As of August 31, 2007, we have been able to expand our branch network to over 200 locations spread across 18 states in India. During the period ended August 31, 2007, the cumulative number of customer contracts entered into grew from 200,000 to 240,000.

Notwithstanding our pace of growth, we have maintained a strong balance sheet and a low cost of funds. As our geographical reach and market penetration have expanded, so too have our receivables under financing activity, which grew from Rs. 1,89,555 lakhs as of March 31, 2006, to Rs. 3,26,928 lakhs as of March 31, 2007. As of March 31, 2007, our net NPAs excluding assets deemed to be sub-standard as defined in para 2(XVI)(b) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms

(Reserve Bank) Directions, 2007 constituted 0.41% of our total assets financed (excluding assets securitized and assigned). Our total income increased from Rs. 22,282 lakhs for Fiscal 2006 to Rs. 41,381 lakhs for Fiscal 2007 at an annual growth rate of 85.71%. During the same period our profit after tax increased from Rs. 3,463 lakhs to Rs. 3,559 lakhs. Our profit before tax saw an increase from Rs. 4,738 lakhs to Rs. 5,195 lakhs.

Our average interest cost of borrowed funds (Financing Charges divided by simple average of opening and closing loan funds) Fiscal 2007 was 7.69% which we believe provides us with a competitive advantage.

In the year 2005, Tube Investments of India Limited and the Company entered into a Shareholders Agreement with DBS Bank Ltd. Singapore. Established in 1968 as a development financing institution, DBS Bank is today a full service bank with the largest network of branches in Singapore and a strong presence in Hong Kong, Chine and Indonesia through subsidiaries and associate companies. It has access to over 50 lakh customers in the region. DBS is actively engaged in corporate, retail and investment banking and provides banking facilities, including trade finance and working capital finance. It also provides portfolio management and custodial services.

OUR STRENGTHS

We believe that the following are our key strengths:

Low NPAs

As of March 31, 2005, 2006 and 2007 our net NPAs excluding assets deemed to be sub-standard as defined in para 2(XVI)(b) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 constituted 1.50%, 0.65%and 0.41%of the total assets financed (excluding assets securitised and assigned), respectively. The Company has been able to maintain a sound asset quality through robust credit evaluation and collection processes.

Wide range of financial products and services

At present we offer vehicle finance, personal loans, corporate & mortgage finance and home equity. We also offer mutual funds, investment advisory and securities broking services through our subsidiaries.

We believe our wide range of products and services enables us to build stronger relationships with, and increase business volumes from our clients. In addition, our diverse portfolio reduces our dependence on any particular product, service or customer and allows us to exploit synergies across our businesses.

Pan India distribution network

Our business has a nationwide network spread over about 200 locations across 18 states in India. Our extensive distribution network also allows us opportunities to cross sell products and services, particularly as we diversify into new business streams.

Well-established brand

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

Experienced management team

Our management team includes senior executives who have vast experience in the Banking and Financial services Industry. We believe that the management’s entrepreneurial spirit, strong technical expertise, leadership skills, insight into the market and customer needs will enable us to evolve and implement our business strategies.

Strength of the Promoters

The Murugappa group established in 1900 and headquartered in Chennai, is a Rs.8,500 crore business conglomerate with interests in engineering, abrasives, sanitary ware, fertilizers, finance, bio products and plantations. It has 29 companies with a combined strength of 28000 employees. The group has a presence across a spectrum of products and is known for its ethical practices and enjoys credibility amongst the businesses it operates in, which has supported the Company's in its growth and recognition.

DBS Bank's investment in our Company in January 2006 provided us with an opportunity to leverage the operational and strategic expertise of a well established international player. Head quartered in Singapore, DBS Group Holdings Ltd ("DBS") is the holding company of DBS Bank. DBS is one of the largest financial services groups in Asia with operations in 15 markets and is listed on the Singapore Stock Exchange. DBS Bank had an asset base of approximately 156 billion Singapore dollars as at December 2006. The Bank enjoys credit ratings of "AA-" and "Aa1".

Credit Ratings and low cost of funds

We have also continuously enjoyed a sound credit rating. We currently enjoy LAA rating for debentures and subordinated debt programme, MAA+ rating for fixed deposits and A1+ rating for Short Term debt programme from ICRA; AA rating for fixed deposits and P1+ rating for short term debt programme from CRISIL and AA (Ind) rating for subordinated debt programme from FITCH. We believe that our balance sheet supported by good credit ratings have enabled us to raise funds at competitive rates. Our average interest cost of borrowed funds (financing charges divided by simple average of opening and closing loan funds) excluding equity was 6.56% and 7.69% for the fiscal 2006 and fiscal 2007 respectively.

OUR BUSINESS

We currently have approximately 2 lakh individuals as customers across India from all segments including corporates high networth individuals ("**HNIs**"), middle income and lower middle income bracket. All loans other than personal loans are generally secured by assets and our recoveries are through payment by way of post dated cheques or electronic clearance systems.

Our Total Assets (including assets securitized and assigned) grew from Rs. 2,389 crores to Rs. 4,485 crores crores from fiscal 2006 to fiscal 2007.

We provide finance for vehicles used both for commercial and personal purposes, three wheelers, and cars. In commercial vehicle business, the utility vehicles are used both for passenger as well as goods transport. The loan products designed by us, both in terms of amount and tenure, are based on usage and the economic life of the vehicle. Repayments are structured to match the anticipated cash flow to be generated by the borrower. Our customers for retail loans are small entrepreneurs or self-employed individuals. Our vehicle loans are secured by a hypothecation of the asset financed.

The Company is also engaged in the business of financing the needs of corporates and high networth individuals where the exposure is secured primarily by way of current assets, property and shares.

Also, in addition to the above the Company also undertakes the business of providing loan against existing property with an eye to tap the vast opportunity of the under penetrated mortgage finance market in India.

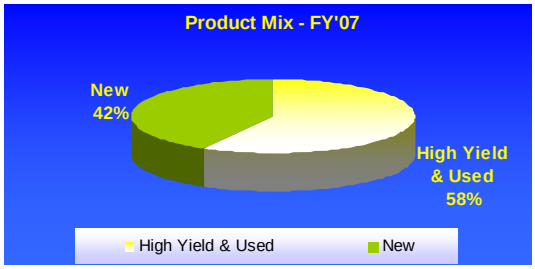
In supplement to the various finances being offered, the Company also provides personal loans to individuals.

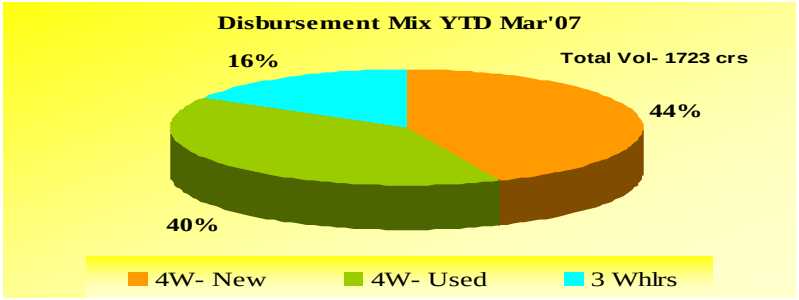
Products Offered

<u>Vehicle finance</u>

Overview

The Company has a customer base of over 1 lakh and extends finance both for new and pre-owned vehicles. The graph below represents the product mix for FY 2007





Vehicle financing constitutes 49.93% of the Company's total receivable under financing activity. Vehicle finance operations were commenced in FY 1994 with car finance. The finance for commercial vehicles both light and heavy vehicles commenced in 1996. During FY 2003, the Company started financing 3 wheelers.

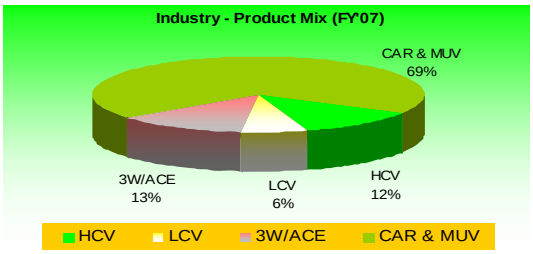
Demand for vehicle finance is directly connected with the growth in the commercial vehicle industry which is growing @ 4.5% p.a., over the past decade. The last 5 years witnessed a growth rate in excess of 20%.

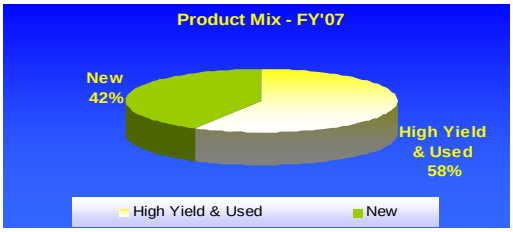
The commercial vehicle industry is dependent upon, amongst other things on the general economic condition and trend, development of infrastructure projects, exports, agricultural productions, transport economics, replacement period of vehicles and conducive government policies

The Company has over the last three years substantially increased its distribution network and product offerings. The vehicle finance distribution is based on the "Hub and Spoke" model with larger branches forming the hub and smaller locations forming the spokes.

The Company has a well-developed organization to handle the large retail finance business. The key functions within the retail finance are marketing, sales, customer relationship management, credit, recovery and transaction processing. The marketing function focuses on the business development, channel development and relationship management with dealers and other business associates. The sales organization generates retail business proposals directly and through various channels like direct sales agents, etc. The credit department, an independent function, screens the credit proposals and monitors the credit performance of the asset portfolio. The recovery team is responsible for receivables management and timely recovery of installments. The process centre, at present operating centrally at the head office in Chennai, provides the operational support and handles transaction processes.

Product Mix





Vehicle Finance business can be divided into the following segments –

1. Strategic Segment : This consists of large fleet owners i.e. with fleet size of more than 10 vehicles and captive users. Lending Rate in the Strategic segment varies between 12.5 – 14%.

2. Cars and MUV Segment : This segment consists of customers acquiring cars and MUVs for self use and tourist application and includes both new & used car buyers. Lending Rate in this segment varies between 13– 17%.

   The Company has been engaged in car finance for the last 10 years. The Company is focusing in non-metro markets as it finds the same attractive. Small businesses, self employed professionals and salaried individuals are the targeted customer segments.

3. Commercial Vehicle Segment: This segment includes small operators i.e. with fleet size of 3 to 9 vehicles with repayment records, used vehicle fleet operators with repayment records. Lending Rate in this segment varies between 13.5% – 18%. Prime segment is the core segment of the Company's business and constitute 50% of the overall business of the Company.

   The Company finances light commercial vehicles (LCVs) and heavy commercial vehicles (HCVs). In the HCV segment, the Company focuses on medium and small fleet operator segments. In the LCVs, it finances both transport operators and small businesses like small manufacturers, transporters, etc. The volume of the commercial vehicle business in the total portfolio has steadily increased over the years as the Company finds the risk adjusted return from the used CV segment attractive.

4. Sub Prime Segment: Sub Prime Segment includes small vehicle purchasers without repayment record, first time buyers, used large vehicles buyers. This is a niche segments and constitute 35% of the overall business of the Company. Lending Rate in this segment varies between 18%- 26%.

Consumer / Personal Finance

Overview

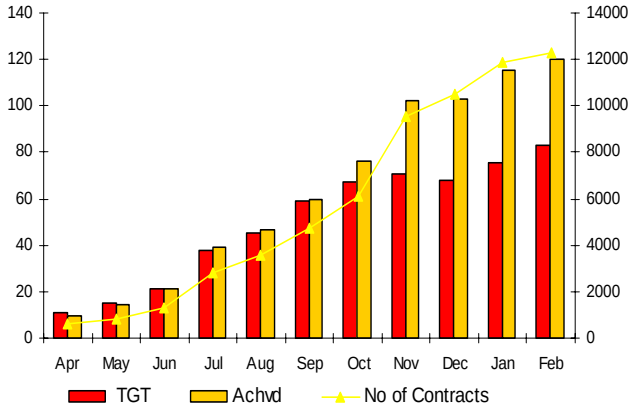
A striking feature of the economic growth of the country has been the rise of a confident new middle class. This category which traditionally was savings oriented is undergoing a fast transformation into consumers, travellers and with a quest for acquiring assets resulting in a sharp growth in the levels of consumer financing. The company has plans of building a strong presence in the consumer finance space – initially in personal loans and home equity.

Following detailed market study, recruitment of experienced professionals and the establishment of necessary infrastructure support in terms of IT systems and operational processes, the product was pilot launched in three cities. The initial response was positive and the Company was able to establish distribution networks in 24 cities with 46 branches.

The Company achieved a combined mark of Rs. 12,000 lakhs for the prime and sub-prime segment in February 2007, the highest ever. The Company has disbursed over Rs. 79,700 lakhs as of March 31, 2007.

The Company has over 200 DSA's in prime contributing 80% of the business with employee strength of 70. The combined employee strength is over 550 supported by approximately 500 DSAs in the prime and sub-prime segment combined.

Below is the chart showing the number of contracts and the amount disbursed by the Company in this segment.



The Company is building up a strong third party distribution channel through retailers, house wives network and also in future strategic tie ups with mobile service providers to offer our products and services to their customers.

The Company is also targeting existing customers by offering them top up loans.

Product Mix/ Product variants

Personal loan business can be segmented into:

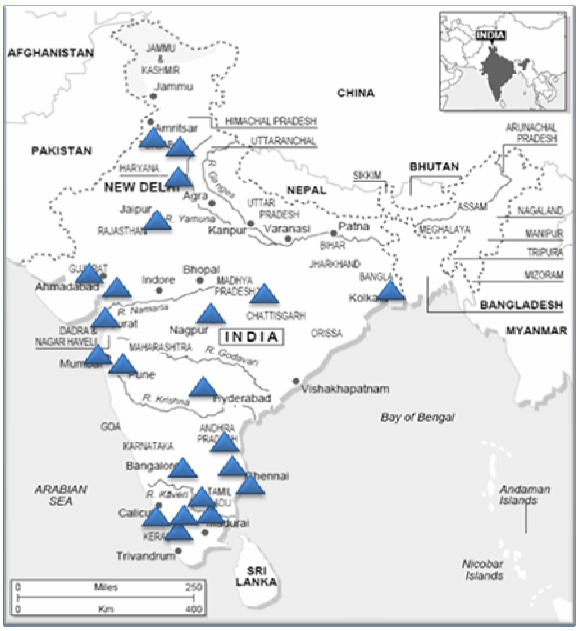
1. Prime Segment : Under prime segment the loan amount ranges between Rs. 1 lakhs to Rs. 20 lakhs and lending rate ranges from 11% - 19% p.a.

2. Mid Ticket segment : Under mid ticket segment loan amount ranges between Rs. 50,000 – Rs. 2 lakhs and lending rate ranges from 18% - 35 % p.a.. This segment is an emerging segment and all the loan products to revolve around surrogate and self employed.

3. Small ticket segment : Under sub prime segment the loan amount ranges between Rs. 10,000 – Rs.75,000 and lending rate ranges from 36% - 45 % p.a.

Personal loans are sanctioned against the post dated cheques / ECS.

Current Distribution Network in Personal Loan Segment.



Corporate and Mortgage finance

Overview

This particular business segment constituting loan against securities, working capital finance and property linked finance (other than home equity) accounts for 27.05% of the Company‘s receivable under financing activity as on March 31, 2007. The Company also offers working capital finance to corporates against the main security of current assets and loan against property against the security of property to corporates and high net worth individuals. The Company has a strong credit and surveillance system to manage the risks in these products

Product Mix

Under this segment the Company offers the following products –

(i) Finance against shares – Provided to promoters and high networth individuals. Loan amount is secured by way of creation of security over shares.
(ii) Finance against property – Provided to high networth individuals and promoters secured by a mortgage over a property.
(iii) Corporate finance – provided to corporate houses. Security is created over the working capital and assets of the borrowing company

Home Equity

Overview
Tapping on the opportunity of the under penetrated home equity finance market in India, the Company launched the home equity product which is a loan against existing property, as one more offering to the customer. Today, this business operates out of 11 locations. This is a long tenure product with floating rates of interest, which will help the Company diversify its product lines. Also the product supports cross sell with the existing products of the Company.

Product Mix

The Company commenced home equity business in the year 2006. Under this business segment the Company offers finance to individuals, which is backed by security over existing property.

Marketing and Distribution

Our branch network

As of August 31, 2007, we have been able to expand our network to cover over 200 locations spread across 18 states in India. Our business is carried out through regional offices, which in turn control the branch network. Our branches are authorised to approve loans within prescribed guidelines and have the appropriate staff to process and monitor the loans made. Loans are approved by various authorities ranging from credit officers to the Business Committee depending on the value of the loans. Branch employees report to their respective regional offices which in turn report to the head office in Chennai. A typical branch would have four to five employees, including the branch manager.

Branding / advertising

The Company operates under the brand name "Cholamandalam DBS" for marketing our products. Our brand is well-recognised in South India. The Company's association with the Murugappa Group and DBS Bank supports the visibility of the brand across India. The Company on an on going basis has a lot of product promotions and campaigns with an aim to increase the brand visibility. We are proposing to launch nationwide advertisement campaigns. We believe that our increased emphasis on brand promotion will be a significant contributor to our results of operations in future.

Our Operations

The board has delegated business wise loan disbursement powers to business heads, managing director and the business committee. These disbursement powers vary from product to product. Further the business heads and the Managing director are authorized to delegate loan disbursement powers to the operating managers at the branch level.

We follow clearly defined procedures for evaluating the credit worthiness of customers. The typical credit evaluation and collection process adopted is as follows:

(j) Approval at Branch Level - Our branches credit managers are empowered to approve loans within the limits delegated by the Board, these limits are different for each business segment. The powers of branch credit mangers to approve the loans varies due to certain criteria depending on the classification of the geographical area, number of customers, demographic details of the customers and general income profile of the population in the area of the branch and based on collection

efficiency of the branch. Loans that fall outside our pre-determined credit guidelines for our branches are reviewed at our head office for specific sanction. In the event that this cap is exceeded, the approval of the business heads, Managing Director or the business committee as the case may be is required for disbursement of the same.

(ii) Customer evaluation – Once a customer has been identified and has completed an application form, we conduct an initial evaluation of the customer based on his income criteria' residential status, background, earning potential, loan being sought and the proposed usage of the loan or use of the vehicle being financed. At this stage, we also undertake Know Your Customer ("KYC") procedures as prescribed by RBI.We have a designated credit officer who does an independent evaluation of the basic documentation provided by the customer. Further, we have outsourced the customer verification exercise to field credit investigating agents. We maintain our verification reports on record in the customer file for future reference.

The credit officer is required to make a recommendation as to whether the loan should be approved or not. In respect of existing customers who are seeking a new loan or refinancing, the field executive would also check the track record of the customer prior to making a recommendation. The recommendation of the field executive is forwarded to the branch credit manager.

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

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

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

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

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

(v) Loan Recovery – Our loan recovery process is primarily through post-dated cheques and ECS mandates. The post-dated cheques are forwarded to the head office which duly deposits the same on the respective due dates.

Defaults

Defaults by our customers would be separately intimated and debited to our centralized account. We initiate criminal and civil legal action for cheque dishonours. In the case of cheque re-dishonours, we intimate our customers of the said dishonour and we demand payment of the same via a demand draft or via cash. We have

also engaged debt recovery agencies to recover debts or seize the assets financed. In the event of continued defaults based on specified guidelines determined by frequency of default we seize the financed products. We also charge penal interest at the rate of 36% to 48% over and above the interest rate charged for the product in case of delayed payment.

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

Disbursals

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

(In Rs lakhs)

Disbursal	Fiscal 2007	Fiscal 2006
Vehicle Finance	1,72,273	12,9538
Corporate and Mortgage Finance (float as at 31st March)	88,424	34,104
Personal loans*	79,722	1200
Home Equity-**	3,993	-

* Personal loans business was commenced in FY 2006.
** Home equity business was commenced in FY 2007.

ASSET CLASSIFICATION

Given below are the RBI guidelines for asset classification

Asset Classification	RBI Guidelines
Standard Asset	Means an asset in respect of which no default in repayment of principal or payment of interest is perceived and which do not disclose any problem nor carry more than normal risk attached to the business.
Non Performing Asset	Refers to Non Performing Assets as defined under Para 2 (1)(xiii) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, and includes – (i) an asset, in respect of which, interest has remained overdue for a period of 6 months or more; (ii) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of 6 months or more or on which interest amount remained overdue for a period of 6 months or more; (iii) a demand or call loan, which remained overdue for a period of 6 months or more from the date of demand or call or on which interest amount remained overdue for a period of 6 months or more; (iv) a bill which remains overdue for a period of 6 months or more; (v) the interest in respect of a debt or the income on receivables under the heard 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of 6 months or more; (vi) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred,

Asset Classification	RBI Guidelines
	which remained overdue for a period of 6 months or more; (vii) the lease rental and hire purchase instalment, which has become overdue for a period of 12 months or more; in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset.
Sub standard asset	Means (a) an asset, which has been classified as non-performing asset for a period not exceeding 18 months; (b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or rescheduled terms.
Doubtful asset	Refers to (a) a term loan, or (b) a lease asset, or (c) a hire purchase asset, or (d) any other asset, which remain a sub-standard asset for a period exceeding 18 months
Loss Asset	Refers to (a) an asset which has been identified as loss asset by the NBFC or its internal or external auditor or by the RBI during the inspection of the NBFC, to the extent that it is not written off by the NBFC; and (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

Asset Quality

The following table sets forth the quality of our total risk weighted assets / exposures (net of provisioning) –

(% to Total Assets)

Classification of Assets	Fiscal 2007		Fiscal 2006		Fiscal 2005	
	Amount (in Rs. Lakhs)	% of total risk weighted assets	Amount (in Rs. Lakhs)	% of total risk weighted assets	Amount (in Rs. Lakhs)	% of total risk weighted assets
Standard assets	327,123	98.55	190,243	99.35	149,347	98.50
Sub-standard assets	4,270	1.28	851	0.44	1,558	1.03
Doubtful assets	538	0.17	390	0.21	720	0.47
Loss assets	-	-	-	-	-	-
TOTAL	**331,931**	**100**	**191,484**	**100**	**151,625**	**100**

Provisioning and Write-offs

Appropriate provisions are required to be made in respect of sub-standard, doubtful and loss assets as per RBI Guidelines. The Company follows a stringent policy for making provisions against loans in default which is more conservative than that prescribed by RBI and we may also make further provisions if we believe that it is prudent for a known and identified risk. Based on our policy, our provisions as of March 31, 2007 stood at Rs. 1298 lakhs.

Given below is a description of the RBI Guidelines on provisioning and write-offs –

Loans, advances and other credit facilities including bills purchased and discounted

The provisioning requirement (as per RBI Guidelines) in respect of loans advances and other credit facilities including bills purchased and discounted is as under –

(i) Loss assets: The entire asset is required to be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding assets should be provided for;

(ii) Doubtful assets: (a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the NBFC has a valid recourse is required to be made. The realizable value is to be estimated on a realistic basis; (b) In addition, to item (a) above, depending upon the period for which the asset has remained doubtful, provision is required to be made as follows:
   (a) If the asset has been considered doubtful for up to one year, provision to the extent of 20% of the secured portion is required to be made;
   (b) If the asset has been considered doubtful for one to three years, provision to the extent of 30% of the secured portion is required to be made; and
   (c) If the asset has been considered doubtful for more than three years, provision to the extent of 50% of the secured portion is required to be made.

(iii) Sub-standard assets: A general provision of 10% of the total outstanding assets is required to be made.

Pursuant to the above-mentioned RBI guidelines, the Company files periodical returns with RBI .

CAPITAL ADEQUACY RATIO

We are subject to the capital adequacy requirements of the RBI. We are required to maintain a minimum ratio of 10% as prescribed under RBI guidelines based on total capital to risk weighted assets. We currently maintain a capital adequacy ratio above the minimum prescribed by RBI. We had a capital adequacy ratio of 12.12% as of March 31, 2007. The following table sets out our capital adequacy ratios as of March 31 for the last five Fiscals:

Fiscal Year ended march 31	CRAR / CAR (%)
2003	13.18
2004	13.84
2005	17.28
2006	14.83
2007	12.12

ASSET LIABILITY MANAGEMENT

NBFCs are exposed to asset liability mismatches and interest rate risks. Hence, RBI has issued guidelines for monitoring of asset liability management for NBFCs. These guidelines have become mandatory from the financial year ended March 31, 2002. As directed by the Reserve Bank of India, the Company has formed an Asset Liability Committee (ALCO). This committee under the chairmanship of the managing director reviews the asset liability management of the Company on a monthly basis and takes corrective measures wherever warranted. The Committee decisions are reviewed by the Business Committee on an ongoing basis.

We are also required to submit Asset Liability Management Return on quarterly basis to RBI.
The Company submits periodical returns in the prescribed formats to the Reserve Bank of India on –

(i) Structural liquidity (with respect to mismatches on different time frames);
(ii) Dynamic liquidity (with respect to the estimated mismatches upto a period of 6 months on different time frames);
(iii) Interest rate sensitivity (with respect to the interest rate variations in the market).

RISK MANAGEMENT

Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that we follow the policies and procedures to address these risks. We are primarily exposed to credit risk, interest rate risk, liquidity risk and operational risk. Our Business Committee oversees our risk management policies and procedures. The Business Committee reviews risk management policies in relation to various risks including liquidity, interest rate, investment policies and strategy, and regulatory and compliance issues in relation thereto and reviewing the asset-liability position to manage our liquidity and market risk exposure.

CREDIT RISK

Credit risk is the risk of loss that may occur from the default by our customers under the loan agreements with us this is an inherent risk in our business which involves inability or unwillingness of a customer or the counterparty to meet their commitments. As referred to above, we have a credit approval process, which includes a proposal evaluation and investigation procedure for credit appraisal. Our credit approval policy is approved by the Business Committee of the Board. We manage our credit risk by evaluating the creditworthiness of our customers, carrying out cash flow analysis, setting credit limits and obtaining collateral. Actual credit exposures and credit limits and asset quality are regularly monitored at various levels. Though our diversified loan portfolio is managed by personnel with experience in the respective areas and we have in place appropriate credit appraisal/control mechanism and risk management system, these procedures may fail. Any such failures or developments may have negative impact on our working results.

INTEREST RATE RISK

Volatility and changes in market interest rates could affect the interest, we earn on our assets, differently from the interest we pay on our liabilities. The difference could result in an increase in interest expense relative to interest income leading to a reduction in net interest income. Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Any volatility in interest rates could adversely affect our business and financial performance.

An increase in interest rates may harm the retail loan portfolio, which may adversely impact our business, besides the increase in the cost of funds on our borrowing. All our loans carry fixed rate of interest. As of March 31, 2007, approximately 53.11% of our total borrowing is on a fixed rate basis and 46.89% is on a floating rate basis. Therefore, changes in interest rates may impact our net income either positively or negatively.

LIQUIDITY RISK

Liquidity risk arises due to non-availability of adequate funds or non-availability of adequate funds at an appropriate price, or of appropriate tenure, to meet our business requirements. Our operations have been funded through a combination of equity and debt depending upon the prevailing cost of the debt and our forecast of its future movement. Our debt currently comprises of various instruments like commercial papers, non-convertible debentures, term loans, working capital demand loan for varying periods. Overall cost of debt (Financing Charges divided by simple average of opening and closing loan funds)as on March 31, 2007 was 7.69%, as on March 31, 2006 was 6.56% and as on March 31, 2005 was 6.81%.

OPERATIONAL RISK

This type of risk is broadly defined as the 'direct or indirect loss due to failure of systems, people or processes, or due to external events'. In recent years, size of operations of our Company have increased manifold. Due to increased exposure of company into various product lines and different customer segment, addressing operational risk has gained importance. Realizing the importance of addressing the operational risk, we have instituted series of checks and balances and controls such as we have centralized accounting through appropriate software which automates our accounting and operational transactions at the branches reducing the risk of un-reconciled entries, periodical spot checks through appropriate internal audit mechanism and well laid down operating manual combined with external audit reviews. The branch operations are monitored centrally through the system and reports and reasonable checks and balances are enabled through this process.

HUMAN RESOURCES

The total number of employees on the pay rolls of the Company as of August 31, 2007 is 1239.

The table below gives a division wise breakup of the employee strength –

Division	Employee Strength
Vehicle Finance	452
Personal Loans	613
Home Equity	45
Corporate and Mortgage Finance	14
Finance	18
IT	13
Operation	26
Human Resources	16
Others	43
Total	**1239**

Training

In order to maintain the requisite professional and competency levels of the employees the Company undertakes regular training programmes.

The Company provides an induction / onboard training programme to all its new recruits.

As a process of continuous learning, the Company in collaboration with the Indian Institute of Management, Bangalore, one of the premier B-Schools in India, imparts training on various aspects, for instance, business leadership programmes, which are particularly beneficial for employees at the managerial level.

Compensation and performance management

Company follows sound compensation philosophy. The Company does a salary bench-marking survey with all major players in the market. Based on the report, salaries are matched closer to the industry median. The company's Incentive plan is designed to adequately reward all top performers.

Individual PAKTs (Principal Accountabilities and Key Tasks to be accomplished) are communicated to the respective employees at the beginning of the financial year. Company ensures that the defined tasks are objective and easily measurable. Employee performance is reviewed based on their achievement on the defined tasks at the end of the year & rating is awarded based on the normalization process.

Employee benefits

Keeping in mind the benefit of its employees the Company provides the following benefits to its employees –

(i) Medical: The Company provides the following medical benefits
   (a) Medical Re-imbursement - Domiciliary Medical Expenses are reimbursed up to Rs.15,000/= per annum depending upon the grade of the employee.
   (b) Mediclaim Insurance - Company provides medical hospitalization coverage for its employees & dependant family members as per limits specified for each grade.
   (c) Medical Hospitalisation - Hospitalisation expenses not covered by mediclaim insurance will be re-imbursed as per limits specified to each grade

(ii) Leave Travel Allowance (LTA): Employees are paid @ 13% of their annual basic salary as LTA.

(iii) Superannuation: Company provides a defined contribution super annuation plan to its employees in grade MG-3 (Deputy Manager) & above. Company has taken a master policy with Life Insurance Corporation of India which manages the superannuation fund to provide annuity to employees.

(iv) Gratuity: All employees are covered by the group gratuity scheme managed by Life Insurance Corporation of India. The master policy with LIC provides life cover to all the employees in addition to the gratuity payable.

TECHNOLOGY

We use information technology as a strategic tool for our business operations to improve our overall productivity and efficiency. We believe that through our information systems currently in place, we are able to manage our nationwide operations efficiently, market effectively to our target customers, and effectively monitor and control risks. Our branch network is spread over 200 locations across 18 states in India as of August 31, 2007. The production server also enables us to conduct a daily automated backup process. We also have a separate disaster recovery data centre in a city other than Chennai which would be connected to the main data centre at Chennai.

COMPETITION

Our primary competitors are public sector banks, private banks (including foreign banks), co-operative banks, regional rural banks and NBFCs. We are exposed to the risk of banks expanding their operations into the retail vehicle financing in rural and semi-urban markets resulting in higher competition and lower spreads. Increasing competition from banks in rural and semi-urban India has resulted in a downward pressure on our interest margins. However, we believe that our, existing customer base, the continued expansion of our branch network and our dealer relationships coupled with our proactive approach in providing flexible loan products and speedy service will enable us to remain competitive. Competition in our industry is expected to continue.

IMMOVABLE PROPERTY

Initially, our registered office and corporate office was situated at 'TIAM House' 72 (Old No. 28); Rajaji Salai; Chennai – 600 001, Tamil Nadu. In the year 2004 the registered office and corporate office was shifted to 'Dare House' No. 2, N.S.C Bose Road, Parrys, Chennai – 600 001, India

The Company has over 200 locations spread across 18 states in India. We hold most of these premises on lease.

The table below lists the properties owned by the Company –

S. No.	Particulars	Area
1.	"Center Point", Office Premises 113, First Floor, S. No. 529C, Vadodara	34.84 sq. meters
2.	"Center Point", Office Premises 114, First Floor, S. No. 529C, Vadodara	34.84 sq. meters
3.	"APOLLO TRADE CENTRE", Apartment No. 207, Second Floor, Plot No. 2-B, Indore,	21,639.55 sq. feet
4.	27.45% of undivided interest in Door No. 1, R. S. No. 3837/16, Block No. 75, Chennai	5,405 sq. feet
5.	"B-4, Thiru-vi-ka Industrial Estate, Guindy, T.S. No. 91 and 96 part, Block No. 6, Chennai	13,774 sq. feet
6.	"Plot No. 10, T.S. No. 4/26, Block No. 16, Adyar, door no.11/1, kotturpuram, Chennai	2,310 sq. feet
7.	"Plot No. 10, T.S. No. 4/26, Block No. 16, door no.11/1, kotturpuram, Adyar, Chennai (northern portion)	2,260 sq. feet
8.	"Plot No. 10, T.S. No. 4/26, Block No. 16, door no.11/1, kotturpuram, Adyar, Chennai (southern portion)	2,310 sq. feet
9.	"Apartment No. F0303, Third Floor, Block C (Lavender), Race Course Road, Coimbatore	1,489.64 sq. feet
10.	Office unit No. UO 301, "A" Block, Third Floor, Raheja Centre, Avinashi Road, Coimbatore	43,408 sq. feet
11.	9th Floor, Sakar II, Ahmedabad (in village Chhadavad (Madalpur) and within the Special Commercial Zone of Ahmedabad)	4,052.7 sq. meters
12.	FL-27/Unit –1, Centre – 1, 27th floor, World Trade Centre, Cuffe Parade, Colaba, Mumbai	770.74 sq. meters / 8293.25 sq. feet

S. No.	Particulars	Area
13.	Flat No. 408, 4th Floor, Abhishek, Bhoiwada, Dadar, Mumbai	2,349.44 sq. meters
14.	Survey no. 40/3, 40/4, 40/5, 41/3, Meyyanur village, Salem Taluk	65400 sq.ft
15.	Undivided share of land at old no.148, new no. 170 Arcot road, Valsaravakkam	1953.06 sq.ft

INSURANCE

We maintain insurance coverage on all our assets located at our head office and our branch premises against fire, earthquake and related perils. We also maintain insurance against burglaries at our head office and our branch offices. Further we maintain insurance against loss by virtue of riots, strikes or terrorist activities of any money that in transit and money that is in safes.

Our insurance policies are generally for one-year terms.

HISTORY AND OTHER CORPORATE MATTERS OF THE COMPANY

HISTORY

The Company was incorporated on August 17, 1978, and commenced its business vide certificate of commencement of business dated November 22, 1978. The Company commenced operations by offering equipment finance through lease and hire purchase finance to corporate entities. Vehicle finance operations were commenced in 1993-94 to broad base the product portfolio and to participate in the growing retail finance business. It progressively augmented the product range and geographical presence.

At present, Cholamandalam DBS is one of the premier non-banking financial services company in the country. The total assets (including assets securitized and assigned) of Cholamandalam DBS was Rs. 4,485 crores as on March 31, 2007. Cholamandalam DBS enjoys the reputation of being one of the earliest companies to get itself credit rated, it currently enjoys LAA rating for debentures and sub-ordinate debt programme, MAA+ rating for fixed deposits and A1+ rating for Short Term debt programme from ICRA; AA rating for fixed deposits and P1+ rating for short term debt programme from CRISIL and AA (ind) rating for sub-ordinated debt programme from FITCH The Company has an uninterrupted dividend payment record since FY 1981.

To increase its presence in the financial services sector, it promoted DBS Cholamandalam Asset Management Ltd; DBS Cholamandalam Trustees Ltd; DBS Cholamandalam Distribution Ltd. and DBS Cholamandalam Securities Ltd. as subsidiaries and promoted Cholamandalam Risk Services Ltd. as a joint venture company. The Company has diversified into related financial services like mutual funds, wealth management and financial advisory services, and stock broking through its subsidiaries. It had also made strategic investments in Cholamandalam MS General Insurance Co. Ltd. During the 2005 -06 the Company divested its ownership interest in Cholamandalam MS Risk Services Ltd. and Cholamandalam MS General Insurance Co. Ltd.

In December 2005, DBS Bank Ltd. acquired 20% equity stake by way of making an open offer to the shareholders. In January 2006, DBS Bank Ltd. further acquired 17.48% equity shares of the Company from Tube Investments of India Ltd., pursuant to which, DBS currently holds 37.48% stake in the Company. Consequently, the name of the Company has been changed from Cholamandalam Investment & Finance Company Limited to Cholamandalam DBS Finance Limited. The acquisition of shares by DBS was consequent to a Shareholders Agreement which records the respective rights and obligations of DBS Bank Limited and other parties in relation to shareholding and management of Cholamandalam DBS.

For details of the Shareholders Agreement please refer to page no. 61 of this Letter of Offer.

The Company's Board was reconstituted in January 2006 in order to comply with the Shareholders' Agreement entered into by the Company, Tube Investments Limited and the DBS Bank Limited on June 16, 2005. Currently, it is being managed by the Board of Directors with Mr. A. Vellayan as its Chairman. Mr. Atul Pande is the Managing Director of the Company. The equity shares of the Company are listed on MSE, BSE and NSE. Pursuant to the special resolution passed at the EGM held on December 8, 2003, the equity shares of the Company have been delisted from the Coimbatore Stock Exchange Limited.

Milestones achieved by the Company

Year	Milestones
1978	Company incorporated as a public limited company under the name of Cholamandalam Investment and Finance Company Limited. Commenced operations by providing equipment financing.
1994	Commenced vehicle finance operations with car finance.
1996	Commenced finance for commercial vehicles both light and heavy vehicles
2002	Commenced two-wheeler finance business
2003	Commenced three-wheeler finance business
2005	Open offer of DBS to acquire 20% shareholding of Company from general public
2006	Change in name of Company from Cholamandalam Investment and Finance Limited to Cholamandalam DBS Finance Limited. Change in name pursuant to acquisition of 37.48% Equity Shares by DBS Bank.
2006	Company commences personal loans and home equity business and change in status from

Year	Milestones
	deposit taking NBFC to non-deposit taking NBFC
2007	Total assets under management crossed Rs.4000 crs. and the customer base crossed 2 lakhs

OBJECTS OF THE COMPANY

Our main objects as contained in our Memorandum of Association include –

1. To carry on the business of an Investment Company in all its branches and without prejudice to the generality of the foregoing to buy, underwrite, invest in and acquire and hold sell and deal in shares, stocks, debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debentures, debenture-stock, bonds, obligations and securities, issued or guaranteed by any Government, State, Dominions, Sovereign, Ruler, Commissioners, Public body of authority, Supreme, Municipal, Local or otherwise, Firm or Person whether in India or elsewhere and to deal with and turn to account the same, provided always that no purchase or investment imposing unlimited liability on the Company shall be made.

2. To acquire any such shares, stocks, debentures, debenture-stock, bonds, obligations or securities by original subscription, participation in syndicates, tender, purchase, exchange or otherwise and to subscribe for the same whether or not fully paid up either conditionally or otherwise, and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incident to the ownership thereof.

3. To form, subsidies, organise and assist or aid in forming, promoting, organising or subsidising companies, syndicates or partnerships of all kinds for the purpose of acquiring and undertaking any property and liabilities of this Company, or for advancing Directly or indirectly the objects thereof, or for any other purpose which this Company may think expedient, to constitute any trusts with a view to the issue of preferred, deferred, or any special stocks, securities, certificates or other documents based on or representing any shares, stocks or other assets appropriated for the purposes of any such trusts and to settle and regulate and, if thought fit, to undertake and execute any such trusts and to issue, hold or dispose of any such preferred, deferred, or other special stocks, securities, certificates or documents.

4. To carryon and undertake business as Financiers and Capitalists to finance operations of all kinds such as managing, purchasing, selling, hiring, letting on hire, and dealing in all kinds of property, movable or immovable, goods, chattels, motor-cars, motor-buses motor-lorries, lands, bullion, stocks, shares, Governments bonds.

5. To carry on the business of Hire Purchase of movable properties of any kind, including Machinery, Plants, Motor-Vehicles of all kinds.

6. To carry on the business of buying and selling, hiring and letting on hire, leasing and letting on lease of movable properties of all kinds, including Plant, Machinery, Cold Storage, Refrigerator, Air- conditioning machinery and equipments, Internal Communicating system and equipment, Computer, Computer Programme, Software, Office equipments of all kinds, Security system, Tractor, Tiller, Thresher, Dryer and motor Vehicles of all kinds.

7. To promote, aid, help encourage and develop Hire Purchase business and protect the interests of persons, firms, associations and other bodies corporate engaged in Hire Purchase business.

8. To secure organised and concerted action, direct and indirect on all matters connected with or having a bearing on the business of Hire Purchase Financing.

9. To undertake and carry on all operations and transactions in regard to business of any kind in the same way as an individual capitalist may lawfully undertake and carry out and, in particular, the financing Hire Purchase Contracts relating to property or assets of any description, either fixed or movable, such as houses, lands, vehicles, Government bonds.

10. To carry on and become engaged in financial, monetary and other business transactions that are usually and commonly carried on by commercial Financing Houses, Shroffs, Credit Corporations, Merchants, Factory, Trade and General Financiers and Capitalists.

11. To lend, with or without security, deposit or to advance money, securities and property to or with such persons and on such terms as may seem expedient.

12. To accumulate funds and to lend, invest or otherwise employ moneys belonging to the Company, to individuals, firms, companies, Governments or Quasi- Governments authorities, or to whomsoever or as the Company may choose, with such securities or without securities upon such terms and conditions as may be determined from time to time.

13.(a) To act as Merchant Bankers, Portfolio Managers, Underwriters, Sub-underwriters, Consultants for Capital issues, Advisors to Capital issues, Investment Consultants, Consultants and Management Advisors to corporate bodies, Individuals and promoters in Commercial, Industrial Management and Policy Matters and to receive funds from others in trust and to manage and invest and deploy them as deemed fit or to advice them in such manner as deemed fit to make project evaluation, feasibility studies, project reports, forecasts and surveys, and to give expert advice and suggest ways and means for improving efficiency in business organisation whether by amalgamations, mergers, demergers or otherwise in any manner and concerns and industries of all kinds and/or to act as Lead Managers, Co- Managers to issues of Shares, Stocks, Bonds, Debentures, Commercial Paper or other securities, etc. of bodies corporate or industrial undertakings and/ or Shares, Stocks, Bonds, Debentures, Commercial Paper or other securities etc. issued by any Government or Semi- Government authority or Public Authority or Government Undertaking or Corporation and/or to undertake Venture Capital Funding, act as issue house, registrars to issues of any kind, transfer agents for securities money managers/liability managers, intermediary brooking and advisory services of all kinds , to act as credit rating agency and credit appraisal agency and to credit rate all kinds of securities and deposits of all bodies corporate whether private or public or Government and whether Indian or foreign entities.

(b) To undertake and carry on the business of Mutual Funds, Money Market Mutual Funds and Asset Management Companies and/or to sponsor Mutal funds and Assets Management Companies and to manage the funds of investors by investments in various avenues like growth funds, income funds, risk fund, pension / superannuation funds, etc., to act as portfolio Managers and to pass on the benefits of such investments to the investors by way of dividends, bonus, interest or share in profits, etc., to provide a complete range of personal financial services like investment planning, estate planning, tax planning, portfolio investment, investment consultancy services and/ or to operate on Over The Counter Exchange of India (OTCEI). National Stock Exchange and on any other Stock Exchanges as Member, Broker, Stock Broker and/or financial Intermediary and market makers and in any other manner as approved by the authorities and in other business, for which authorization/approval/sanctioning is obtained from the Securities and Exchange Board of India (SEBI) or any other appropriate authority as any be required.

(c) To undertake and execute or constitute any trust and to subscribe and act as, and to undertake and carry on the office or offices and duties of trustees, custodian trustees, executors, administrators, liquidators, receivers, treasurers, attorneys, nominees and agents; and to manage the funds of all kinds of trusts and to render periodic advice on investments, finance, taxation and to invest these funds from time to time in various forms of investments including shares, term loans and debentures etc.and carry on custodial services and as a custodian, to send, on behalf of clients, the securities for registration of transfers, collet dividend and other returns/incomes and to carry on all other functions as are normally carried on by custodians and to safe keep the securities etc.

(d) To give advice on or to offer, give, take, circulate and or otherwise organise, accept or implement any takeovers, mergers, demergers, amalgamations or acquisitions or schemes for the diversification, rehabilitation or restructuring of any business, concern, undertaking company, body corporate, partnership or other firm or any association of persons, whether incorporated or

not, by acquisition of shares or assets and liabilities, and whether as a going concern or as a part of the concern or otherwise as may be required, having regard to business exigencies,and to promote or procure the incorporation, formation or setting up of any concern or undertaking whether as company, body corporate, partnership or any other association of persons for engaging in any industrial, commercial or business activities.

(e) To set up, provide or participate in providing venture capital, technology funds or any other funds for seed capital or any risk capital foundation, including giving guarantees or such other financial assistance as may be conducive for the development of new enterprises innovative methods of production or development of existing and new technologies to identity projects and project ideas, to prepare project profiles, projects reports, market research or feasibility studies and reports, pre investments studies or reports on the investigation of industries at micro or macro levels,to undertake appropriate measures to identify the scope or potential for whether in India or abroad; to act as lead managers in respect of project assignments by undertaking follow-up, supervision and co-ordination work at the instance, behest or on behalf of banks,financial institutions, companies, bodies corporate or other persons and to monitor the same, to act as an adviser in the management of Undertakings or business, enterprises, offices, trades, occupations, callings or render such assistance as may be necessary including the acting as agents for the recruitment of personnel, technical, skilled, unskilled, supervisory, managerial or otherwise and to act as an advisor in the selection of technical processes, economic size, sources of plant and machinery and other utilities for or on behalf of business entrepreneurs.

(f) To carry on the business of factoring in any of its forms such as full factoring, recourse factoring, maturity factoring, advance factoring, undisclosed factoring, direct export factoring direct import factoring, direct import factoring, back to back factoring, invoice discounting or any other form at factoring, bill discounting, hundi discounting, cheque discounting and discounting of any other type of negotiable instruments and other types of instruments, to purchase, accept assignment of debts and to carry on business generally carried on by factor, wharfingers, etc. and to carry on the business of accepting, co-accepting of negotiable instruments and related activities.

(g) To commence and carry on all activities connected with General Insurance other than Life Insurance as is currently being carried on by the four subsidiaries of GIC like underwriting motor, fire, marine and miscellaneous risks, providing general insurance coverage's, providing Risk Management Consultancy Services, co-ordinate with insurance companies whether local or foreign on coverages to represent in all or any respect insurance companies whether national or foreign, to provide or arrange insurance coverage and/or re-insurance coverage within or outside the country and to provide general consultancy services like scrutinising existing insurance coverages, pruning superfluous risk coverages, exploring eligible discounts etc. and to also float suitable body corporates to carry on any or all the above activities, to enter into any tie-up of financial, technical or other nature with any concern whether in the country of outside provided that the above activities to be carried on subject to all Laws and regulations as are in force from time to time.

(h) To carry on the business of money changers and to deal in foreign exchange in cash, travellers cheques or in any other form.

(i) To undertake trading/dealing in foreign exchange in all markets, both domestic and international and to conduct any other activities related to these markets.

(j) To carry on the business of Banking in all its aspects whether in India or elsewhere and to borrow and raise money, lend or advance money with or without security, draw, make, accept, discount, buy, sell, collect and deal in bills of exchange, hundies, promissory notes, coupons, drafts, cheques, bills of landing, railway receipts, warrants, debentures certificates, scripts and other instruments whether transferable or negotiable, to grant and issue letter of credit, traveller's cheques and circular notes, to buy, sell and deal in bullion and specie, to buy and sell foreign exchange including foreign bank notes, acquire, hold, issue on commission, underwrite and deal in stock, funds, shares and investments and securities of all kinds, to purchase and sell bonds, Scrips or other forms of securities on behalf of constituents or others to negotiate loans and advances, to receive all kinds of bonds, Scrips or valuables on deposit or for safe custody or

otherwise, to provide safe deposit vaults, to collect and transmit money and securities, to act as agent for Government, local authority or any person, to carry on agency business , clearing and forwarding of goods acting as attorneys on behalf of clients, to carry on every kind of guarantee and indemnity business.

AMENDMENTS IN THE MEMORANDUM OF ASSOCIATION

Since incorporation of our Company, the following changes have been made in the Memorandum of Association –

Amendment	Date of Amendment
Alteration in clause V – Authorized Share Capital	August 17, 1978
Alteration in clause V – Authorized Share Capital	December 13, 1985
Alteration in clause V – Authorized Share Capital	November 19, 1992
Alterations in clause III(A) 12 and 13 of the main object clause and clause III(B) 10 and 12 of the incidental and ancillary object clause	November 22, 1993
Alteration in clause V – Authorized Share Capital	July 31, 2002
Alteration in clause V – Authorized Share Capital	December 8, 2003
Change in name of the Company from Cholamandalam Investment and Finance Limited to Cholamandalam DBS Finance Limited	March 17, 2006

SUBSIDIARIES OF THE COMPANY

Presently the Company has four subsidiaries, namely –

(i) DBS Cholamandalam Asset Management Limited (DCAM) – Initially registered under the name 'Cholamandalam Cazenova AMC Limited', under the provisions of the Companies Act, 1956 with the Registrar of Companies, Tamil Nadu, on April 25, 1996 under registration no. 35321 and having its registered office at Dare House, No. 2, NSC Bose Road, Parrys, Chennai – 600 001. Pursuant to DBS Bank's acquisition of stake in the parent company, the name was changed to DBS Cholamandalam Asset Management Ltd on May 9, 2006.

DCAM is the asset management and the investment manager of DBS Chola Mutual Fund, which offers mutual funds to retail high networth and institutional investors. DCAM manages funds about Rs. 3000 crores. across 20 schemes with over 83,000 customers. Known for its prudent philosophy in fund management, DCAM offers the entire range of cash, debt and equity products, and is present in over 20 locations and also has a strong distribution network in place.

Given below is a table reflecting the financial performance of DCAM

(*in Rs. lakhs*)

Particulars	FY 2007	FY 2006	FY 2005
Total income	722.14	578.14	459.27
Profit / (-) loss After Tax	-673.79	-249.69	-301.17
Equity share capital	3500	1500	1500
Reserves	NIL	NIL	NIL
EPS (in Rs.) - basic	-2.67	-1.66	-2.19
Book value per shares	4.77	2.30	3.96
Profit / (-) Loss Account (Debit Balance)	-1,829	-1,155.59	-905.90

(ii) DBS Cholamandalam Distribution Limited (DCDL) - registered under the Companies Act, 1956 with the Registrar of Companies, Tamil Nadu under the name 'Cholamandalam Distribution Services Limited', on August 23, 2000 under registration No. 45617 and having its registered office at Dare House, No. 2, NSC Bose Road, Parrys, Chennai – 600 001. Pursuant to DBS Bank's acquisition of stake in the parent Company, the name was changed to DBS Cholamandalam Distribution Limited on May 17, 2006.

DCDL is engaged in the business of distribution of a wide array of financial service products, both in-house and third party, to high networth individuals and retail clients. Products offered include

mutual funds, fixed income, share trading, savings instruments, capital bonds, income tax / PAN processing services, equity IPOs and life and general insurance.

Given below is a table reflecting the financial performance of DCDL

(*in Rs. lakhs*)

Particulars	FY 2007	FY 2006	FY 2005
Total income	1,330	999	722
Profit / (-) loss After Tax	234	180	-93
Equity share capital	490	490	490
Reserves	NIL	NIL	NIL
EPS (in Rs.)	4.78	3.68	-1.90
NAV (in Rs.)	8.77	3.98	0.31
Profit & (Loss) A/c	(60.30)	(294.72)	(474.96)

(iii) DBS Cholamandalam Trustees Limited (DCTL) - registered under the Companies Act, 1956 with the Registrar of Companies, Tamil Nadu under the name 'Cholamandalam Cazenova Trustee Company Limited', on April 30, 1996 under Registration No. 35349 and having its registered office at Dare House, No. 2, NSC Bose Road, Parrys, Chennai – 600 001. Pursuant to DBS Bank's acquisition of stake in the parent company, the name was changed to DBS Cholamandalam Trustees Limited on May 2, 2006.

DCTL is the trustee to DBS Chola Mutual Fund, registered with SEBI.

Given below is a table reflecting the financial performance of DCTL

(*in Rs Lakhs.*)

Particulars	FY 2007	FY 2006	FY 2005
Total income	5	5	5
Profit / (-) loss After Tax	0.53	0.57	0.18
Equity share capital	5	5	5
Reserves	NIL	NIL	NIL
EPS (in Rs.)	1.06	1.15	0.35
Book Value per share (Rs.)	5.27	4.21	3.06
Profit & (Loss) A/c.	-2.36	-2.89	-3.47

(iv) DBS Cholamandalam Securities Limited (DCSec) - registered under the Companies Act, 1956 with the Registrar of Companies, Tamil Nadu on September 20, 1994 under registration no. 28674 and having its registered office at Dare House', No. 2, NSC Bose Road, Parrys, Chennai – 600 001. Pursuant to DBS Bank Ltd.'s acquisition of stake in the parent Company, the name of the Company was changed to DBS Cholamandalam Securities Limited on March 31, 2007.

DCSec is a corporate member with the NSE, and BSE. It offers stock brokerage for individuals and institutions. It is also a registered Depository Participant with NSDL and CDSL and provides depository services to all its broking customers and others.

Given below is a table reflecting the financial performance of DCSEC

(*In Rs lakhs*)

Particulars	FY 2007	FY 2006	FY 2005
Total income	949	855	480
Profit / (-) loss After Tax	175	211	81
Equity share capital	1,000	1,000	600
Reserves	143	93	25
EPS (in Rs.)	1.75	2.26	2.27
NAV (in Rs.)	11.43	10.93	10.35

SHAREHOLDERS AGREEMENT

Our Company, Tube Investments of India Limited ("TII") and DBS Bank ("DBS"); entered into a Shareholders Agreement. Pursuant to the Shareholders Agreement, DBS acquired 37.48% stake of the total

paid up equity capital of Cholamandalam by way of –

(i) acquisition of shares under an open offer made under the provisions of SEBI (SAST) Regulations;

(ii) acquisition of shares under sale agreement dated June 16, 2005.

The Shareholders Agreements sets out the terms and conditions which governs the relationship between the parties.

Important terms and conditions of the Shareholders Agreement

The key terms of the Shareholders Agreement are as follows (Capitalised terms used below are defined in the Shareholders Agreement) –

(i) It was agreed that as soon as reasonable practicable, following the effective date, i.e., June 16, 2005 the parties shall:
   (a) effect a change in name of Cholamandalam DBS Finance Limited and to change the names of the subsidiaries so as to include the words "DBS Cholamandalam".
   (b) use the brand name "Cholamandalam DBS" in relation to the business of the company and its products and services..
   (c) subject to TII and DBS each holding 25% or more of the total paid up equity share capital reconstitute the board of directors in such a manner that there are maximum of 10 (ten) directors of which TII and DBS would have 3 (three) directors each and the remaining 4 (four) shall be independent.

(ii) It was agreed that in the event at any time after the effective date, the shareholding of DBS is more than that of TII, the parties shall change the name of the company to "DBS Cholamandalam Finance Limited", cease use of brand name "Cholamandalam DBS" and initiate steps to use the brand name "DBS Cholamandalam".

(iii) The parties have agreed that as long as TII and DBS holding is more than 20%, neither party shall unless prior written approval of the other party has been obtained, acquire directly or through their group any number of shares that shall cause the shareholding to cross the 37.5% threshold.

(iv) The parties have agreed that as long as each party holds no less than 25% holding in the company, there shall be no alteration to the capital of the company and no issue of shares or securities which, might result in the dilution of shareholding of either party unless otherwise agreed by both the parties.

(v) The shareholders agreement provides that as long as each party holds no less than 25% holding in the company, the company shall, unless otherwise agreed by both the parties, offer new shares to all its exiting shareholders on pro rata basis.

(vi) There shall be a two year lock up period, wherein neither party shall directly or through its group / members acquire, subscribe, sell, transfer or otherwise dispose of any shares in the company. However, it does not prohibit either party to subscribe to shares in a rights issue on pro rata basis.

(vii) Either party may transfer its shares to a member of its group. Such a transfer has to be notified to the other party and the company. Furthermore, the transferring party shall ensure that the member to whom the shares have been transferred would comply with the provisions of this shareholders agreement.

(viii) DBS has agreed to –
   (a) provide the company technical assistance and share its experience in the relevant area of business.;
   (b) refer customers;
   (c) assist in appointment and training of staff; and
   (d) offer on a non-exclusive basis the products and services of the company as part of the range of products and services offered by DBS in India.

   TII has agreed to –
   (a) provide details of customers and business associates to the company;
   (b) provide access to distribution network of TII;
   (c) procure corporate support services by Murugappa Management Services Limited and Chola Business Services Limited to the company.

(ix) A deadlock would occur in the event where TII and DBS or their respective directors at aboard meeting fail to agree on any of the reserved matters detailed under the Shareholders Agreement In the event of a deadlock the chairman shall within 10 (ten) business days after the date of deadlock serve on each TII and DBS a written notice. If a notice is served for resolution of the deadlock, the matter shall be referred for resolution; in the event that the deadlock cannot be resolved within 3 (three) months from the date of reference of matter for resolution, then either party may, within 10

(ten) business days of the end of 3 months serve a notice on the other party, informing the other party that if the deadlock cannot be resolved within a further period of 10 (ten) days after serving of notice, the party serving the notice may terminate the agreement.

(x) Neither party either directly or through members of its respective groups transfer its shares unless prior written consent of the other party has been obtained.

(xi) Before one of the parties transfers or procures to transfer its shares it shall provide a written notice to the other party providing details of the proposed transfer. On receipt of the notice, the other party shall have the right to buy all of the shares of the party desirous of selling its shares at the price specified in the notice within 60 (sixty) days of receipt of the notice.

(xii) In the event one party proposes to sell its shares to a third party it shall notify the other party in writing. If within 21 days following the receipt of such notice the other party requests in writing, the selling party shall not complete the sale unless it ensures that the third party offers to buy all the shares held by the other party.

(xiii) It is agreed amongst the parties that all the matters shall be decided by the Board by simple majority and so long as each of the TII and DBS holds not less than 25 per cent of the total paid up equity share capital of the Company, no action or decision relating to certain matters like alteration to the Memorandum and Articles of Association, changes in share capital, committee constitution, nature of business, business plan, and matters relating to acquisitions and disposals of any business, subsidiaries, partnerships and joint ventures, proposals relating to winding up of the Company etc. referred to as "reserved matters" in the agreement shall be taken unless such action or decision has been authorised pursuant to a Board resolution in respect of which the affirmative votes of at least one (1) TI Director and one (1) DBS Director have been cast.

(xiv) Further, the shareholders agreement also has a non-competition clause wherein the parties have agreed that neither they, nor any of the members of their respective groups, shall compete with the business of the Company and/or its subsidiaries in India.

(xv) Following trigger events have been identified under the Shareholders Agreement–

(a) material non-compliance with the obligations under the agreement by either party;
(b) insolvency of either party;
(c) change of control;

An affected shareholder must within 5 (five) business days after a trigger event occurs, serve on the company and other shareholders a written notice containing all relevant detail.

The other shareholder may, within 20 (twenty) business days after becoming aware of a trigger event serve upon the affected shareholder and the company a trigger notice.

On service of a trigger notice senior executives nominated by TII and DBS shall endeavour to resolve the matter within 10 (ten) business days. In the event that the matter cannot be resolved within 10 days then the other party may within 20 (twenty) business days after the expiry of 10 days within which matter had to be resolved, serve on the affected shareholder a written notice which must amongst other provide for the intended course of action which can either be purchase of shares of the affected party; sale of shares to the affected party or termination of the agreement.

DIVIDENDS

The following are the dividend payouts on the Equity Shares in the last five years by our Company –

Financial Year	Dividend	
	Rate	Amount (*In Rs. lakhs*)
Fiscal 2007	40%	1518
Fiscal 2006	50%	1,897
Fiscal 2005	50%	1,897
Fiscal 2004	50%	1,265
Fiscal 2003	50%	843

(*excluding dividend distribution tax wherever applicable.*)

The table below details dividend payouts on the preference shares in the last five years by our Company –

Financial Year	Dividend*	
	Rate	Amount (*In Rs lakhs*)
Fiscal 2006	6.85	52
Fiscal 2005	6.85	70
Fiscal 2005	8.75	31
Fiscal 2004	8.75	88
Fiscal 2004	8.50	110
Fiscal 2004	8.50	17
Fiscal 2003	8.75	34
Fiscal 2003	8.50	65

* on pro- rata basis, wherever applicable and excludes dividend distribution tax wherever applicable

OUR MANAGEMENT

BOARD OF DIRECTORS

As per the Articles of Association of the Company, the Company must have a minimum of 3 (Three) and a maximum of 12 (Twelve) Directors. At present, the Company has 11 Directors.

The following table sets forth current details regarding Board of Directors of the Company, for details relating to the Director Identification Number (DIN) refer to section titled "General Information-Board of Directors" on page 9 of this Letter of Offer:

S. No.	Name, address, father's name, nationality and Profession	Designation	Age	Date of Appointment and Term	Other Directorship
1	Mr. A Vellayan, s/o Late. Mr. M V Arunachalam Address: No.5, Ambadi Road, Kotturpuram, Chennai - 600 085 Nationality: Indian Profession: Industrialist	Non – executive Chairman	54	October 19, 2006	1. Laserwords Pvt Ltd 2. Nimita Solutions Pvt. Ltd. 3. E I D Parry (India) Ltd 4. Parry Murray And Company.. Furnishing & Floor Coverings India (Pvt.) Ltd 5. Parry Murray & Co Ltd, UK 6. Ambadi Enterprises Ltd 7. Coromandal Fertilisers Ltd 8. Godhavari Fertilisers and Chemicals Ltd 9. Kanoria Chemicals & Industies Ltd 10. Indfrag Ltd 11. Indian Potash Ltd 12. Foskar Private Limited 13. Parryware Roca Pvt Limited 14. Export Import Bank of India 15. DBS Cholamandalam Distribution Ltd 16. Tunisian Indian Fertilizers, 17. Carborundum Universal Ltd.
2	Mr. V.P Mahendra s/o Late. Mr. V T Padmanabhan Address: No. 5, Lakshmi Vilas, Sankey Road, High Grounds, Bangalore - 560 052 Nationality: Indian Profession: Industrialist	Independent Director	64	October 6, 1994	1. VST Tillers Tractors Limited 2. Lakshmi Ring Travellers Limited 3. Gove Investments and Finance Company Limited 4. Hotel Pearls Private Limited 5. Pearls Estate Private Limited 6. V P Mahendra Bros. Investments Private Limited 7. VST Motors Limited, Chennai 8. VST and Sons Private Limited 9. VST Auto Parts Pvt Ltd 10. Kirloskar Electric Company Ltd
3	Mr. R.V. Kanoria s/o Mr. Shyam Sundar Kanoria Address: A-45, Vasant Marg, Vasant Vihar, new Delhi – 110 057. Nationality: Indian	Independent Director	51	September 14, 1995	1. Kanoria Chemicals & Industries Limited 2. Aekta Limited 3. Kirtivardhan Finvest Services Limited 4. The Pradeshiya Industrial & Investment Corpn of U P Limited

S. No.	Name, address, father's name, nationality and Profession	Designation	Age	Date of Appointment and Term	Other Directorship
	Profession: Industrialist				5. KPL International Limited 6. Suprawin Technologies Ltd. 7. Intrust Global Services Pvt. Ltd 8. R.V. Investments and Dealers Limited 9. J K Paper Ltd
4	Mr. Indresh Narain s/o Mr. Kishan Narain Address: D-7/1, Vasant Vihar, New Delhi – 110 057 Nationality: Indian Profession: Retired banker	Independent Director	61	July 21, 2006	1. Dhanuka Agritech Limited
5	Mr. R Krishnamurthy s/o Mr. K Rajagopalan Address: Apartment No: 198, Karma Kshetra, D2, Wing, Sion, Koliwada, Mumbai – 400 037 Nationality: Indian Profession: Retired banker	Independent Director	62	October 19, 2006	1. Watson Wyatt Insurance Consulting (P) Ltd.
6	Mr. N. Srinivasan s/o Mr. S Natarajan Address: No.9, North Avenue, Srinagar Colony, Saidapet, Chennai – 600 015. Nationality: Indian Profession: Company executive	Non-executive Director	49	December 29, 2006	1. Laserwords Pvt. Ltd. 2. Tube Investments of India Ltd. 3. Godavari Fertilisers and Chemicals Limited 4. Cholamandalam MS General Insurance Company Limited
7	Mr. M. Anandan s/o Late. Mr. Munusamy Address: AL 192, 12th Main Road, Anna Nagar, Chennai – 600 040 Nationality: Indian Profession: Company executive	Non-executive Director	56	August 29, 1997	1. Cholamandalam MS General Insurance Company Limited 2. DBS Cholamandalam Asset Management Limited 3. DBS Cholamandalam Distribution Limited 4. DBS Cholamandalam Securities Limited 5. Cholamandalam MS Risk Services Limited 6. Cholamandalam Factoring Limited
8	Mr. Rajan Raju s/o Mr. Kankipati Zagapati Raju Address: 11, Nathan Road, 10-01, Regency Park, Singapore – 248 732 Nationality: Indian	Non-executive Director	41	January 27, 2006	1. SP Services Ltd – Singapore 2. ASEAN Finance Corporation Ltd (AFC Merchant Bank) – Singapore (Alternate Director) 3. TMB Public Company Ltd.- Bangkok 4. PT Bank DBS Indonesia – President Commissioner of

S. No.	Name, address, father's name, nationality and Profession	Designation	Age	Date of Appointment and Term	Other Directorship
	Profession: Company executive				The Board of Commissioners – Indonesia 5. DBS Cholamandalam Distribution Ltd. 6. DBS Cholamandalam Asset Management Limited 7. Hwang-DBS (Malaysia) Berhad 8. Hwang DBS Investment Bank Berhad 9. AXS InfoComm Pte Ltd 10. Primefield Company Pte Ltd 11. Singapore International Foundation (member of the board of governers)
9	Mr. Edmund Koh Kian Chew s/o Mr. Koh Cho Pang Address: 22, Wajek Walk, Singapore – 588 103 Nationality: Singaporean Profession: Company executive	Non – executive Director	47	January 24, 2007	1. DBS Vickers Securities Holdings Pte Ltd 2. SNP Corporation Limited 3. DBS Vickers Securities Online Holdings Pte Ltd. 4. International Medical Insurers Pte Ltd 5. Housing Development Board, Singapore 6. Hutchison DBS Card Ltd. 7. Singapore Sports Council (Vice Chairman) 8. SMRT Corporation Ltd. 9. SMRT Trains Ltd. 10. SMRT Road Holdings Ltd. 11. SMRT Buses Ltd. 12. Network For Electronic Transfers (S) Pte Ltd. 13. EM Services Pte Ltd.
10	Mr. Pranam Wahi s/o Mr. Harnam Dass Wahi Address: Flat 1A, Windmere Apartments, Cuffe Parade, Mumbai – 400 Nationality: Indian Profession: Company executive	Non-executive Director	48	January 27, 2006	NIL
11	Mr. Atul Pande, s/o Mr. Raghunandan Pande Address: ¾, Withy Pool Complex, 2&3 Boat Club Road, Chennai – 600 085 Nationality: Indian Profession: Company executive	Managing Director	40	April 1, 2006	NIL

All the directors other than the managing director are liable to retire by rotation as per the provisions of the Companies Act, 1956. Mr. Atul Pande has been appointed by the shareholders for a term of five years effective April 1, 2006.

Brief biography of our Directors

Mr. A Vellayan

Holds a diploma in industrial administration from Aston University, United Kingdom and a masters degree in business studies from the University of Warwick, U.K. In addition to being the Chairman of the Company he is also the chairman of Godavari Fertilisers and Chemicals Ltd, Cormomandel Fertilisers Ltd and EID Parry India Ltd. Further, he holds several directorships in companies within and outside the Murugappa Group. He is also an executive committee member in FICCI and the vice-president SICCI .

Mr. V.P Mahendra

Holds a graduate degree in Engineering from the University College of Engineering, Bangalore. Apart from being on the Board, he is also the Managing Director of VST Tillers Tractors Ltd., Bangalore and in addtion, holds directorships in several other companies. He has participated in a number of management programmes in Japan and a member of several philanthropic institutions.

Mr. R.V Kanoria

He holds a masters in business administration degree from IMD, Switzerland. He is the chairman and managing director of Kanoria Chemicals & Industries Ltd., besides being on the board of various other companies. He was the former vice-president of Federation of Indian Chambers of Commerce and Industry and has headed several joint-business councils. Is the managing committee member of PHD Chamber of Commerce & Industry and National Council member of Confederation of Indian Industries.

Mr. Indresh Narain

He is a retired 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. He retired as Head of Compliance & Legal, HSBC India. He was also a member of the Assets & Liabilities Committee (ALCO), the Apex Management Committee for the organization and a Member of the Corporate Governance and Audit Committees. He is a director on the Board of M/s. Dhanuka Agritech Ltd.

Mr. R Krishnamurthy

Besides holding a master degree in commerce form the University of the Madras, he is an associate of the Institute of Bankers. In addition, he holds a diploma in industrial finance management education program offered at IIM, Ahmedabad and is a Lord Aldington Banking Research Fellow in UK. Further, he undertook a course on banking policy at Harvard University, USA. Has over three decades of experience in banking and has during this period held various positions in the State bank of India. Is a visiting faculty at IIM, Ahmedabad, and other management educational institutions.

Mr. N. Srinivasan

Is a member of the Institute of Charted Accountants of India and the Institute of Company Secretaries of India. Has over 24 years of experience in the areas of corporate finance, legal, projects and general management. He was the President and Chief operating officer of Thiru Arooran Sugars Ltd., also he was the chief financial officer of Carborundum Universal Ltd. He is a director on the board of Tube Investments of India Ltd. and few other Murugappa group companies.

Mr. M. Anandan

Is a member of Institute of Chartered Accountants of India. Was the Managing Director of the company from January 2000 to March 2006 and has been associated with the company since 1988. Was the Executive Director of the company since August 1997. He is the managing director of Cholamandalam MS General Insurance Company Limited. In addition he is also a director on the boards of DBS Cholamandalam Asset

Management Limited, DBS Cholamandalam Distribution Ltd., DBS Cholamandalam Securities Ltd. and Cholamandalam MS Risk Services Ltd.

Mr. Rajan Raju

A graduate from Bombay University and a post graduate in business administration from the Indian Institute of Management, Ahmedabad. He is with DBS Bank as managing director, Head – South and Southeast Asia, Global Transaction Services and Technology and Operations. Is the president commissioner of Board of Commissioners of PT Bank DBS, Indonesia and the chairman of AXS Infocomm Pte Ltd. and Primefield Company Pte Ltd. He is a director on the Board of DBS Cholamandalam Distribution Ltd. and a few other overseas companies. Is also a member of the Board of Governors of Singapore International Foundation.

Mr. Edmund Koh Kian Chew

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

Mr. Pranam Wahi

Is a chartered accountant. Is the country head in India for DBS Bank. Was the country head for corporate and institutional banking with HSBC India. Has over 25 years of banking experience in India across HSBC, Standard Chartered Bank and DBS.

Mr. Atul Pande

A post graduate in business administration from the Indian Institute of Management, Ahmedabad. Is the Managing Director of the Company since 1st April 2006. Has over 18 years of experience in finance and FMCG industry including GE Capital and Procter & Gamble - Godrej. He was the managing director of Citicorp Maruti Finance Limited prior to joining the company

Terms of appointment of our Managing Director

Managing Director

Mr. Atul Pande was appointed as our managing Director on April 1, 2006, for a period of 5 years on the following terms and conditions –

a. Salary:

Rs.1,75,000/- per month in the scale of Rs.1,00,000/- to Rs.3,50,000/-. Increments to be decided by the Compensation & Nomination Committee.

b. Allowances / Perquisites/ Commission:

As may be determined by the Compensation & Nomination Committee.

c. Retirement benefits:

i. Contribution to provident fund, superannuation fund and gratuity as per rules of the Fund / Scheme in force from time to time.

ii. Encashment of leave as per rules of the Company in force from time to time.

d. General

i. In the event of absence or inadequacy of profits in any financial year, Mr. Pande shall be entitled to such remuneration as may be determined by the Board or Compensation & Nomination Committee, which shall

not, except with the approval of the Central Government, exceed the limits prescribed under the Companies Act, 1956 and rules made thereunder or any statutory modification or re-enactment thereof.

ii. Perquisites shall be valued in terms of actual expenditure incurred by the Company in providing benefit to the employees. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes and loans) the perquisites shall be valued as per income tax rules.

iii. Commission as may be determined by the Compensation & Nomination Committee based on the Company's Scheme in force from time to time.

iv. Mr. Pande will not be entitled to any sitting fees for attending meetings of the Board or of any Committee thereof.

v. Mr. Pande will be subject to all other service conditions as applicable to any other employee of the Company.

BORROWING POWERS

The shareholders of the Company have, by their resolution dated July 21, 2006 authorised the Board to borrow an amount upto Rs. 350,000 lakhs for the purpose of business of the Company.

COMMITTEES OF THE BOARD

In accordance with the relevant provisions of the Companies Act, 1956, the Listing Agreement and the RBI Guidelines the Board has set up the following Committees –

Audit Committee

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 the adequacy of internal control systems and reviewing findings of internal investigations besides recommending appointment/ reappointment of the statutory auditors, internal auditors and fixing their remuneration.

The Audit Committee of Directors consists of Mr. Indresh Narain as the chairman and Mr. A Vellayan, Mr. V.P Mahendra and Mr. R Krishnamurthy as members. Since its constitution in the year 1997, the Audit committee of the Board has had 61 meetings.

Compensation and Nomination Committee

The Board at its meeting held on June 22, 2007 has reconstituted and redesignated the Remuneration and Nomination committee as Compensation & Nomination Committee.

The role of the committee includes recommending to the Board any new appointments including re-appointments and the tenure of office of directors, determining the Company's policy on specific remuneration packages including pension rights for executive directors, Implement, administer and monitor the Employee Stock Option Plan/schemes of the Company and its Subsidiary Companies.

The reconstituted compensation & nomination Committee comprises Mr. R.V Kanoria, Mr. V P Mahendra and Mr. Rajan Raju as members. Mr. A Vellayan is an invitee to all the meetings of the Committee.

Shareholders Grievance Committee

The Company has duly constituted a Shareholders Grievance Committee as per the requirements of Clause 49 of the Listing Agreement.

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 shareholders' grievances.

The Committee is chaired by Mr. V P Mahendra and has Mr. N Srinivasan and Mr. Pranam Wahi as its members

Business Committee

The role of this Committee includes review of the business of the Company including approval and renewal of business proposals, review of credit and investment policies, approval of 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. In addition, the Committee also recommends to the issue of non-convertible debentures and disbursement limits.

The committee comprises Mr. R Krishnamurthy as the Chairman and Mr. N Srinivasan and Mr. Rajan Raju as members. The managing director is an invitee to all the meetings of the Committee.

In addition to the above Committees of the Board the Company has in place what is known as the "Asset-Liability Management Committee" set up in terms of guidelines issued by the RBI. The Asset-Liability Management Committee monitors the Asset-Liability management of the Company to ensure that there are no imbalances or excessive concentrations on either side of the Balance sheet.

The Board by way of a resolution passed in its meeting held on June 22, 2007, entrusted the business committee to carry on the functions of a rights committee. The functions of a rights committee include taking all decisions relating to the Issue including determining the terms of issue like the number of shares/ warrants, pricing, ratio, the appointment of various intermediaries and advisors for the Issue such as *inter alia*, escrow collection banks, legal advisors, bankers to the Issue, brokers, sub brokers, decide on the fees and other terms and conditions of such intermediaries and advisors, to prepare and finalise, along with the legal advisors and the LM, the draft letter of offer, and letter of offer, do all requisite filings with SEBI, the stock exchanges, and any other concerned authority, to execute all documents and contracts for the Issue including the memorandum of understanding with the LM, Registrar's memorandum of understanding and to determine and finalise the price for the Issue, approve the basis for allocation and confirm allocation of the equity shares to the shareholders of the Company and do all such acts and things as may be necessary and expedient for, and incidental and ancillary to, the Issue.

SHAREHOLDING OF DIRECTORS

Our Directors are not required to hold any qualification shares under the Articles of Association. The shareholding of our Directors is given below:

Name	Number of Shares Held
Mr. A Vellayan	78,375
Mr. V.P Mahendra	16,705
Mr. R.V Kanoria	NIL
Mr. Indresh Narain	NIL
Mr. R. Krishnamurthy	NIL
Mr. N Srinivasan	NIL
Mr. M. Anandan	24,500
Mr. Rajan Raju	NIL
Mr. Edmund Koh Kian Chew	NIL
Mr. Pranam Wahi	NIL
Mr. Atul Pande	25,049

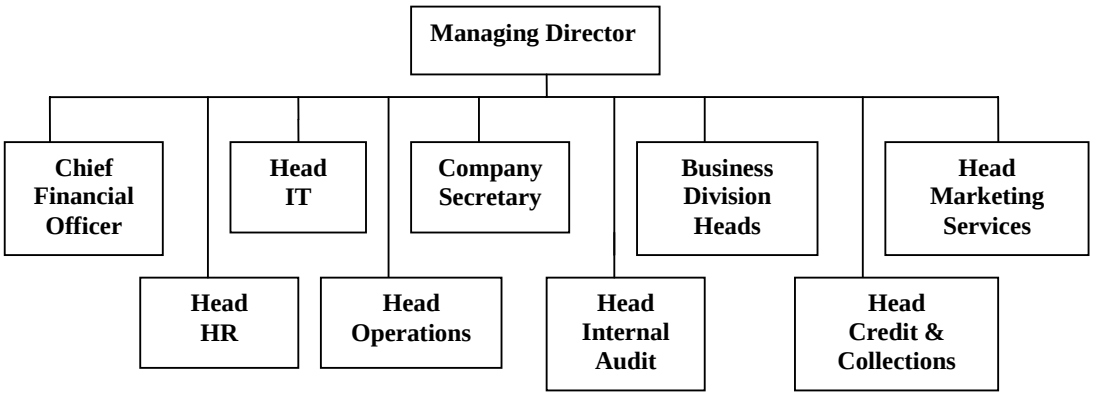
Changes in our Board during the last three years

The table below depicts the changes in our Board during the last three years

S. No.	Name of Director	Date of Appointment	Date of resignation	Change
1.	N.C. Singhal	November 1, 1996	January 27, 2006	Stepped down as director
2.	M J Subbaiah	May 27, 2004	January 27, 2006	Stepped down as director
3.	A. Vellayan	October 19, 2006 March 22, 2002	_ January 27, 2006	Appointed as an Additional director and also as the Chairman of the Company and confirmed as director at the AGM held on July 30, 2007 Steeped down as director
4.	Rajan Raju	January 27, 2006	_	Appointed as Additional director and confirmed as director at the AGM held on July 21, 2006
5.	Ho Siew Mee Susan (Ms.)	January 27, 2006	January 24, 2007	Appointed as Additional director and confirmed as director at the AGM held on July 21, 2006 Stepped down as director.
6.	Pranam Wahi	January 27, 2006	_	Appointed as Additional director and confirmed as director at the AGM held on July 21, 2006
7.	M. Anandan	August 29, 1997	March 31, 2006 _	Stepped down as Managing director. But continues to be a Non-executive director on the Board of the Company.
8.	Atul Pande	April 1, 2006	_	Appointed as Managing Director and confirmed as director at the AGM held on July 21, 2006
9.	Ravi Ramu	October 30, 2000	June 2, 2006	Stepped down as director
10.	Indresh Narain	July 10, 2006 July 21, 2006	July 21, 2006 _	Appointed as Additional director Ceased to be a Director on Commencement of AGM held on July 21, 2006. Appointed as Additional director and confirmed as

S. No.	Name of Director	Date of Appointment	Date of resignation	Change
				director at the AGM held on July 30, 2007
11.	M.A. Alagappan	July 30, 2001	October 19, 2006	Ceased as director
12.	R. Krishnamurthy	October 19, 2006	_	Appointed as Additional director and confirmed as director at the AGM held on July 30, 2007
13.	Partho Datta	July 30, 2001	December 26, 2006	Stepped down as Director
14.	N. Srinivasan	December 29, 2006	_	Appointed as and confirmed as director at the AGM held on July 30, 2007 Additional director
15.	Edmund Koh Kian Chew	January 24, 2007	_	Appointed as Additional director and confirmed as director at the AGM held on July 30, 2007

ORGANISATION STRUCTURE



KEY MANAGERIAL PERSONNEL

The table below lists down the names of the key managerial personnel's of the Company as on August 31, 2007.

Name	Age (years)	Designation	Qualifications	Previous Employment	Total Experience (years)	Date of Joining	Gross Salary for Fiscal 2007 (in Rs.)
Mr. Atul Pande	40	Managing Director	B.E., P.G.D.M (IIM)	Citicorp Maruti Finance Ltd.	18	February 27, 2006	1,10,15,647
Mr. Kaushik Banerjee	44	Sr. Vice president and business head – Vehicle Finance	B.Com, MBM (AIM, Manila)	Dilip Chhabria Design Private Limited	20	October 22, 2001	31,31,435

Name	Age (years)	Designation	Qualifications	Previous Employment	Total Experience (years)	Date of Joining	Gross Salary for Fiscal 2007 (in Rs.)
Mr. Harmander S Mahal*	40	Sr. Vice president and business head – Personal Loan	P.G.D.M / MBA	On secondment from DBS Bank	12	April 1, 2006	-
Mr. Parag Kothari	40	Sr. Vice president and business head – CMF	MFM (Mumbai University)	Enarai Finance Limited	18	May 10, 1995	20,06,421
Mr. Arul Selvan D	44	Vice president – Finance	Chartered Accountant	Cholamandalam MS General Insurance Co Ltd	20	May 2, 2006	19,36,171
Mr. Rohit Phadke	42	Business Head – Home Equity	MBA (Pune University)	Apple Finance Limited	16	June 1, 2000	20,06,493
Ms. Sujatha P	40	Company Secretary	Company Secretary	Sriram Machinery Corporation Limited	17	March 22, 1995	14,59,303

* Is on secondment from DBS Bank and draws his salary from DBS Bank. The Company has made no payments towards secondment fee to DBS Bank in fiscal 2007. However, a sum of Rs. 35,21,245/- towards secondment fee pertaining to fiscal 2007 was paid to DBS Bank Ltd during the quarter ended 30, June 2007.

All the abovementioned key managerial personnel, other than Mr. Mahal are permanent employees of our Company. The remuneration of each of our key personnel is as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Changes in our key managerial personnel during the last three years

Name	Date of Joining	Department	Designation	Date of leaving	Reason
M Anandan	13/4/1976	N.A	Managing Director	March 31, 2006	Transferred
P N Vasudevan	01/02/1987	Vehicle Finance	Business Head – Vehicle Finance	January 13, 2006	Resigned
V Suryanarayanan	05/11/1996	Finance	General Manager – Finance	May 2, 2006	Transferred

Interest of Key Managerial Personnel

None of our key managerial employees have interest in our company except to the extent of their remuneration and reimbursement of expenses and the shares held by them in the Company.

Bonus or Profit sharing plan for the Key Managerial Personnel

There are no bonuses or profit sharing plan for the key managerial personnel.

Employees Share Purchase Scheme / Employee Stock Option Scheme

The Board vide a resolution passed 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 aggregating to 19,04,162 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 8l(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 19,04,162 Equity Shares of the Company under one or more Employee Stock Option Scheme (s). The compensation and Nomination committee on July 30, 2007, approved the grant of 7,65,900 options to a list of senior level executives of the Company and some of its Subsidiaries in Band I in accordance with the Stock Option Scheme -2007 of Cholamandalam DBS Finance Ltd. The exercise price of the grants is Rs.193.40 being the closing price of the equity shares of the Company on National Stock Exchange Limited, being the Stock Exchange where there was highest trading volume, on July 27, 2007, being the day prior to the date of the resolution approving the grant. The option will vest to the employees over a period of four years with effect from July 30, 2008.

Details of loans taken by Directors / Key Managerial Personnel

The Directors and key managerial personnel have not taken any loan from the Company.

Payment or benefit to officers of the Company

There has been no other benefit or payment given to the employees / key managerial personnel of the Company other than salary.

Current shareholding of our key managerial personnel in our Company

As on August 31, 2007 the following key managerial personnel holds shares in the Company:

Name	Number of shares held
Mr. Atul Pande	25049
Mr. Parag Kothari	1400

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Interest of Promoters, Directors and key managerial personnel

NIL

Relation between any director and KMP

None of the KMP is related to any of the Director. Mr. Atul Pande, the Managing Director is also a KMP.

REGULATIONS AND POLICIES

We are a non-deposit accepting NBFC and can further be sub-classified as a loan company as on March 31, 2007 based on our principal activity as evidenced from out assets / income pattern.
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Our business activities are governed by the RBI regulations applicable to non-deposit accepting NBFCs.

Mentioned herein below are the significant regulations that affect our operations:

REGULATIONS ISSUED BY THE RBI

Capital Adequacy Requirements

Effective December 12, 2006, a loan company is required to maintain a 10% CAR, consisting of Tier I and Tier II capital, of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items. Further the total of Tier II capital, at any point of time, shall not exceed one hundred per cent of Tier I capital.

Tier – I Capital means, owned fund as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund.

Owned Funds means, paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account; capital reserve representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of assets; less accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.

Tier – II Capital means to include the following - (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of fifty five per cent; (c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one-and-one-fourth per cent of risk weighted assets; (d) hybrid debt capital instruments; and (e) subordinated debt, to the extent the aggregate does not exceed Tier-I capital.

Hybrid debt means, capital instrument, which possess certain characteristics of equity as well as debt.

Subordinated debt means a fully paid up capital instrument, which is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or the without the consent of the supervisory authority of NBFC authority. The book value of such instrument is subjected to discounting as prescribed.

Prudential Norms for Asset Classification

Initially, the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, regulated and prescribed the prudential norms for asset classification for both deposit taking and non-deposit taking NBFCs. However, vide a recent amendment the RBI has issued separate prudential norms for deposit taking NBFCs and non-deposit taking NBFCs. While the deposit taking NBFCs are regulated by the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 [Notification No. DNBS 192 / DG (VL) – 2007, dated February 22, 2007]; non-deposit taking NBFCs are regulated by the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 [Notification No. DNBS 193 / DG (VL) – 2007, dated February 22, 2007].

The Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, prescribes that every NBFC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realization, classify its lease / hire purchase assets, loans and advances and any other forms of credit into the following classes, namely –

(i) Standard Assets;
(ii) Sub-standard Assets;
(iii) Doubtful Assets; and
(iv) Loss Assets.

In addition, the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, provides that every NBFC, has to make provisions against sub-standard assets, doubtful assets and loss assets after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged. The provisions for such have to be made on the following basis –

(a) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:
   (i) In case of Loss Assets, the entire asset shall be written off. In the event that the assets remain in the books for any reason, 100% of the outstanding should be provided for;
   (ii) In case of 'Doubtful Assets', 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the NBFC has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis. In addition, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion, i.e., estimated realizable value of the outstanding, has to be made on the following basis

Period for which the asset has been considered as doubtful	**% of provision**
Upto one year	20
One to three years	30
More than three years	50

   (iii) In case of sub-standard assets a general provision of 10% of total outstanding has to be made.

(b) Provisions relating to hire purchase and leased assets shall be as under:
   (i) In case of hire purchase assets, the total dues (aggregate of overdue and future instalments) as reduced by the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges and the depreciated value of the underlying asset, shall be provided for.
   The depreciated value of an asset shall be notionally computed as the original cost of the asset to be reduced by depreciation as the rate of 20% per annum on a straight line method; and in case of second hand assets the original cost shall be the actual cost incurred for acquisition of such second hand asset.
   In addition, the following provisions have to be made

Where hire charges or lease rentals are overdue upto 12 months	NIL
Where hire charges or lease rentals are overdue for more than 12 months but upto 24 months	10% of the net book value
Where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40% of the net book value
Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70% of the net book value
Where hire charges or lease rentals are overdue for more than 48 months	100% of the net book value

   On expiry of a period of 12 months after the due date of the last installment of hire purchase/ leased asset, the entire net book value is required to be fully provided for.

Asset – Liability Management

Pursuant to the Asset – Liability Management Guidelines issued by the RBI on June 27, 2001 [Ref. DNBS (PD).CC.No.15 /02.01 / 2000-2001], which has either an asset base of Rs. 1 billion or more, or holding public deposits of Rs. 2,000 lakhs or more, has to have in place a Asset Liability Management System which must include Asset - Liability Committee ("ALCO") and ALM support groups. The Asset – Liability Management process includes liquidity risk management, management of marketing risk, funding and capital planning, profit planning and growth projection, and forecasting/ preparation of contingency plans.

In case of structural liquidity, the negative gap (i.e. where outflows exceed inflows) in the 1 to 30/ 31 days time bucket should not exceed the prudential limit of 15% of outflows of each time-bucket and the cumulative gap up to one year period should not exceed 15% of the cumulative cash outflows up to one year period. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit, should be shown by a footnote in the relevant statement.

Supervision by the RBI

Under the provisions of the Reserve Bank of India (Non Banking Financial Companies) Returns Specifications 1997, every NBFC is required to submit certain returns containing specific information to the RBI on a quarterly, half yearly and on an annual basis, in the format prescribed by the RBI.

Further under section 45N of the Reserve Bank of India Act, 1934, the RBI may cause an inspection to be made of any NBFC if it considers it necessary or expedient.

KYC obligations

The RBI has extended the Know Your Customer ("KYC") guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework on KYC and Anti-Money Laundering measures is put in place. The KYC policies are required to have the following key elements, namely, customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence of KYC guidelines by the persons authorized by NBFCs' including brokers/ agents, due diligence of persons authorized by NBFCs' including brokers/ agents, customer service in terms of identifiable contact with persons authorized by NBFCs' including brokers/ agents.

APPLICABLE FOREIGN DIRECT INVESTMENT REGIME

Under the guidelines prescribed by the Ministry of Finance, Government of India, 100% foreign direct investment in the NBFCs, such as ours, is under the automatic route subject to compliance by the NBFC with applicable RBI guidelines. The minimum capitalization norms have been prescribed as follows –

(i) If foreign direct investment is less than 51%, USD 0.5 million to be brought in upfront;
(ii) If foreign direct investment is more than 51% and up to 75%, USD 5 million to be brought in upfront; and
(iii) If foreign direct investment is more than 75% and up to 100%, USD 50 million, of which US$ 7.5 million to be brought in upfront and the balance in 24 months.

Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of Indian entities, subject to bringing in USD 50 million.

SHOPS AND ESTABLISHMENTS ACTS

The Company is governed by the various Shops and Establishments Acts as applicable in the States where it has branches. These Acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of, inter alia, registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. For details of the Company's registration under the applicable Shops and Establishments Acts, please refer to the chapter "Approvals and Licences" on page 244 of this Letter of Offer.

EMPLOYMENT RELATED REGULATIONS

The Company is governed by the provisions of the Employees' State Insurance Act, 1948 and is required to make periodic contributions under the same. The employees of the Company are covered under the limited provident fund and the limited employees superannuation schemes taken out by the Company with the Life Insurance Corporation of India.

FISCAL REGULATIONS

In accordance with the Income Tax Act, 1961 any income earned by way of profits by a company incorporated in India is subject to tax levied on it in accordance with the tax rate as declared as part of the annual Finance Act. The Company, like other companies, avails of certain benefits available under the Income Tax Act, 1961. For details of the tax benefits, please refer to the "Statement of Tax Benefits" on page 29 of this Letter of Offer.

OTHER REGULATIONS

In addition to the above, the Company is required to comply with the provisions of the Companies Act, 1956, the Foreign Exchange Management Act, 1999, various tax related legislations and other applicable statutes.

PROMOTERS AND PROMOTER GROUP

Some of our key promoters are Mr. M.V Murugappan, Mr. M.V Subbhiah, Mr. M.A Alagappan, Mr. A Vellayan, Mr. M.M. Murugappan, Mr. M.M Venkatachalam, Tube Investments of India Limited and DBS Bank Ltd., Singapore.

TII belongs to the Rs. 8,500 crore Murugappa Group, a business conglomerate having diverse interest in various business viz. engineering, abrasives, finance, general insurance, sanitary ware, cycles, sugar, farm inputs, fertilizers, plantations, bio products and nutraceuticals.

DBS Bank Ltd., Singapore is the wholly-owned subsidiary of DBS Group Holdings Limited which is one of the largest financial services groups in Asia with operations in 15 markets and is listed on the Singapore Stock Exchange.

Following companies, individuals and entities form a part of our Promoter and Promoter Group as per the terms of Explanation II to Clause 6.8.2.2 of the SEBI DIP Guidelines.

PROMOTERS OF THE COMPANY

Individual Promoters

Mr. M V Murugappan	
	Mr. M V Murugappan, aged 72, is an honours graduate in civil engineering. He spent nearly 20 years managing the building construction business of the Murugappa Group before joining Carborundum Universal Limited (CUMI) in 1979. As Managing Director of CUMI from 1979 – 2000 he was instrumental in CUMI's rapid expansion and diversification, including CUMI's entry into the power sector. He was a Managing Committee member of ASSOCHAM for several years. His Driving License Number is R/TN/07X/001736/2001. His PAN Number is AAFPM1998N His Passport No. is E6058126. His Voter Id No. is TN/02/010/0376002
Mr. M V Subbiah	
	Mr. M V Subbiah, aged 68, holds a diploma in industrial administration from University of Aston, UK and has attended the advanced Management programme of the Harvard Business School. Mr. Subbiah was the chairman of the Board of the Company from October, 1997 to July, 2001. Mr. Subbiah has won the national HRD award in the year 1988. The All India Management Association had bestowed upon Mr. Subbiah, the JRD Tata corporate leadership award 2001 for his outstanding industry leadership. He has been the president of AIEI (a forerunner of CII). His Driving License Number is R/TN/007/005248/2001 His PAN Number is ABBPS0231K His Passport No. is F4088388. His Voter ID No.: Not available

Mr. M A Alagappan	
	Mr. M A Alagappan, aged 63, is a graduate in Commerce and has undergone a course in management studies in the University of Aston, U.K. He had been associated with the Company since incorporation in 1978 till October 2000 as a director and as Vice-Chairman and Managing Director between 1994 and 1999. He had joined the Board again as a non-executive director from July 2001 and had been the Chairman of the Board since October 2001 till October 19, 2006. He is presently the Chairman of the Murugappa Corporate Board. He is also a committee member of Federation of Indian Chamber of Commerce and Industry (FICCI) and Southern India Chamber of Commerce and Industry (SICCI) and is an honorary counsel for Hungary in India, Southern Region. His Driving License Number is R/TN/004/008272/2002 His PAN Number is AACPA9628C His Passport No. is F4088377. His Voter ID No.: Not available
Mr. A Vellayan	
	Mr. A Vellayan, aged 54 holds diploma in Industrial administration from the University of Aston, UK and Masters degree in Business Studies from University of Warwick Business school, UK. Mr. A Vellayan is the Chairman of the Company. Mr. Vellayan has been the Vice President of the Federation of Indian Exports Organisations and a member of the National Export Committee of the Confederation of Indian Industry. He was the President of All India Cycle Manufacturers' Association Indian Chapter, ICC India . He is the Executive Committee member of FICCI, and the Vice president of SICCI.I. His Driving License Number is R/TN/007/002578/2003 His PAN Number is AACPV2231L His Passport No. is F4088396. His Voter ID No.: Not available
Mr. M M Murugappan	
	Mr. M M Murugappan, aged 51, holds a Bachelors degree in chemical engineering. He is also a master in science in chemical engineering from University of Michigan, USA. Over the last two decades he has been managing the Murugappa Group's abrasives, confectionery, electronics and plantations businesses at various points of time. His Driving License Number is R/TN/004/003468/1997 His PAN Number is AAGPM1775L His Passport No. is G1798928. His Voter ID No.: Not available

Mr. M M Venkatachalam	
	Mr. M M Venkatachalam, aged 47, is a graduate in agriculture and is a MBA from Washington University, USA. He was a wholetime director of the Company from November, 1999 to January 2002. He is the Chairman of Parry Agro Industries Ltd. His Driving License No. is D/TN/007X/000082/1998 His PAN Number is AACPV2232K His Passport No is F5719439 His Voter ID No.: Not available

Body Corporates

Tube Investments of India Limited (TII)

Tube Investments of India Limited (TII) was incorporated as a public limited company on September 9, 1949 under the provisions of the Indian Companies Act, 1913. The registered office of TII is situated at 'Dare House' 234, N.S.C Bose Road, Chennai 600 001. The main business activity of the company is to manufacture and sale of bicycles/components, precision tubes and metal forming.

Share holding pattern of TII as on March 31, 2007

The equity shareholding of TII as of March 31, 2007 is as stated below:

S. No.	Category	Number of shares held	% of shareholding
I. PROMOTERS HOLDING			
I (i)	Individuals	17,588,715	9.52
I (ii)	Body Corporate	66,141,365	35.79
	SUB TOTAL (I)	83,730,080	45.31
II. NON PROMOTERS HOLDING			
II (i)	Institutional Investors		
	(a) Mutual funds and UTI	11,347,182	6.14
	(b) Banks, financial institutions and insurance companies	8,510,585	4.61
	(c) FIIs	12,183,585	6.59
II (ii)	Others		
	(a) Private body corporates	16,042,523	8.68
	(b) Indian public	35, 509,676	19.16
	(c) NRIs / OCBs	704,289	0.38
	(d) Trusts	97,710	0.05
	(e) GDR holders' depository	16,752,080	9.07
	SUB TOTAL (II)	101,049,920	54.69
	TOTAL	**184,780,000**	**100**

There has been no change in capital structure and the management of TII in the last six months.

Board of directors

The board of directors of TII comprises of:

Mr. M M Murugappan	:	Chairman
Mr. Amal Ganguli	:	Director
Mr. D Jayavarthanavelu	:	Director
Mr. S Sandilya	:	Director
Mr. Pradeep Mallick	:	Director
Mr. Ram V Tyagarajan	:	Director
Mr. R Srinivasan	:	Director

Mr. Tapan Mitra : Director
Mr N Srinivasan : Director

Financial performance

The financial performance of TII for the last three Fiscal Years is as follows:

(In Rs Lakhs)

As on March 31	2007	2006	2005
Equity Share Capital	3695	3695	3695
Reserves and surplus*	61890	49515	41124
Total income	170778	159498	146811
Profit/(-) Loss after tax	15578	18293	9855
Earning per share (Rs.)	8.43**	49.50	26.67
Book Value per share (Rs.)	35.49***	28.80***	121.28

* Net of revaluation reserves and miscellaneous expenditures not written off

** On post split basis. Effective June 8, 2006, 1 equity share of Rs. 10 each was sub-divided into 5 equity shares of Rs. 2 each.

*** Post split of face value of shares from Rs 10/- per share to Rs 2/- per share

TII's PAN, Bank account details, registration number and address of registrar of companies

Set forth below are the details of the PAN, bank account, registration number and address of the registrar of companies where TII is registered:

S. No.	Particulars	Information
1.	Registration Number	002905
2.	Address of Registrar of Companies	Registrar of Companies, State of Tamil Nadu, located at Block No. 6, B Wing, II Floor, Shastri Bhawan, 26, Haddows Road, Chennai-600 034
3.	PAN	AACT1249H
4.	Bank Account details	HSBC Bank - 041-400797-001

Disclosure about the regulatory action against TII

No action has been pending or taken against TII by any regulatory body viz., SEBI/Stock exchanges/ RBI which is to be disclosed in this Letter of Offer.

Information about the share price of TII

The existing equity shares of TII are listed at BSE, NSE and MSE.

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Period	High	Low
March 2007	58.6	52.2
April 2007	69	52.7
May 2007	78.4	68.95
June 2007	80.3	69.7
July 2007	71.30	61.75
August 2007	62.35	55.75

The monthly high and low of the market price of the shares on NSE for the last six months are as follows:

Period	High	Low
March 2007	58.45	52.3
April 2007	69.35	52.8
May 2007	78.3	68.9
June 2007	80.25	69.55
July 2007	70.90	62.25

Period	High	Low
August 2007	62.40	55.95c

There has been no trading in the shares of the Company in MSE in the last six months

Disclosure on capital issue

The last public issue by TII was made in 1979 and the last rights issue in 1992.

Details of public / rights issues in the last three years

TII has not made any public issue or rights issue of equity shares during the last three years.

Mechanism for redressal of investor grievance

For redressal of investor grievances, the company has nominated its company secretary as the compliance officer, who is responsible for attending to investor queries / complaints etc., to present the same before shareholders grievance committee on a quarterly basis for their review and comment / suggestions. The normal time taken to process the share transfer / transmission is within 15 -20 days and for redressal of grievances/ complaints received from the shareholders is within 10 days.

Investor Grievances during the quarter ended March 31, 2007: -
Received: 28 complaints; Resolved: 28 complaints; Pending: NIL complaints

DBS Bank Limited

DBS Bank Limited, a wholly owned subsidiary of DBS Group Holding Limited, was incorporated on July 16, 1968 in Singapore. The registered office of DBS Bank is located at 6, Shenton Way, DBS Building Tower One, Singapore - 068 809.

DBS Bank is a full service bank which aims at providing a full range of financial services, investment banking services, portfolio management services and custodian services.

Share holding pattern of DBS as on December 31, 2006

DBS Bank Limited is a wholly owned subsidiary of DBS Group Holdings Limited

Board of directors

Koh Boon Hwee	:	Chairman
Jackson Tai	:	CEO & Vice chairman
Frank Wong Kwong Shing	:	COO & Vice chairman
Mr. Ang Kong Hua	:	Director
Andrew Buxton	:	Director
Christopher Cheng	:	Director
Goh Geok Ling	:	Director
Kwa Chong Seng	:	Director
Narayana Murthy	:	Director
Peter Ong Boon Kwee	:	Director
John A. Ross	:	Director
Wong Ngit Liong	:	Director

Financial performance

The table below lists the financial performance of DBS Bank for Fiscal Year ended on December 31 of 2004, 2005 and 2006.

(in Singapore Dollars)

Particulars	As of December 31		
	2006	2005	2004
Equity Share Capital	12,096 Million	1,962 Million	1,962 Million
Share Premium	-	10,134 Million	10,134 Million
Other Reserves	3,143 Million	2,665 Million	2,462 Million
Revenue Reserves	3,967 Million	3,040 Million	3,187 Million
Total income (net of interest expense)	3,881 Million	3,202 Million	3,507 Million
Profit after tax	1,825 Million	715 Million	1,927 Million
EPS	0.90	0.34	0.96
Book value per share	9.79	9.07	9.05

DBS Banks'- bank account details, registration number and address of registrar of companies

The registration number of DBS Bank is 196800306E

Information about the share price of DBS

DBS Bank Limited is not listed

PROMOTER GROUP

Individuals forming part of Promoter Group

S. No.	Name
1.	Mrs. M V Valli Murugappan
2.	Mrs. M V Seetha Subbiah
3.	Mr. S Vellayan
4,	Mrs. Kanika Subbiah
5.	Master Karthik Subbiah
6.	Master Kabir Subbiah
7.	Mrs. A A Alagammai
8.	Mr. Arun Alagappan
9.	Mrs. A.Keertika Unnamalai
10.	Mrs. M V AR Meenakshi
11.	Mrs. Lalitha Vellayan
12.	Mr. V Narayanan
13.	Mr. V Arunachalam
14.	Mr. A Venkatachalam
15.	Mrs. Meyyammai Venkatachalam
16.	Mr. A V Arunachalam
17.	Mrs. M M Seethalakshmi
18.	Mrs. Meenakshi Murugappan
19.	Mr. M M Muthiah
20.	Mr. M M Veerappan
21.	Mrs. Lakshmi Venkatachalam
22.	Mr. M V Muthiah
23.	Mr. M V Subramanian
24.	Mrs. A M Meyammai
25.	Mr. M A M Arunachalam
26.	Mrs. Sigappi Arunachalam

Body corporates forming part of Promoter Group

S. No.	Names of the Promoters
Listed Companies	
1.	Carborundum Universal Ltd.
2.	Coromandel Fertilisers Ltd.
3.	EID Parry (India) Ltd.
4.	Godavari Fertilisers and Chemicals Ltd
5.	Parry Agro Industries Ltd.
Unlisted Companies	
6.	Apex Abstracting & Editing Services Pvt Ltd (merged with Laserwords Pvt. Ltd.)
7.	Ambadi Enterprises Ltd.
8.	Coromandel Engineering Company Limited
9.	Coromandel Holdings and Minerals Limited (merged with Coromandel Engineering Company Limited)
10.	Cholamandalam MS General Insurance Company Ltd.
11.	Coromandel Bathware Ltd
12.	DBS Group Holdings Ltd
13.	Ficom Organics Limited (merged with Coromandal Fertilizers)
14.	Kulashekaram Investments Private Limited (merged with New Ambadi Estates Pvt. Ltd.)
15.	Laserwords Private Ltd
16.	Net Access (India) Private Ltd.
17.	New Ambadi Estates Pvt. Ltd.
18.	New Ambadi Investments Pvt. Ltd. (merged with New Ambadi Estates Pvt. Ltd.)
19.	Parry Chemicals Ltd
20.	Parry Enterprises India Ltd (earlier known as Parry Engineering and Exports Ltd).
21.	Parry Infrastructure Co Pvt Ltd
22.	Parry Murray and Co Furnishing and Floor covering (India) Pvt Ltd
23	Parry Nutraceuticals Ltd (merged with EID Parry (India) Ltd.)
24.	Parrys Investments Limited
25.	Silkroad Sugars Pvt Ltd
26.	Parrys Sugar Limited
27.	Presmet Pvt Ltd
28.	Prodorite Anticorrosives Ltd.
29.	Rasilah Investments Limited (merged with Coromandal Fertilizers)
30.	Southern Energy Development Corporation Ltd.
31.	Sterling Abrasives Ltd.
32.	Thangamalai Tea Factory Private Ltd.
33.	Tubular Precision Products (Suzhou) Company Ltd
34.	Parry Murray Ltd. UK
35.	CUMI America Inc
36.	CUMI (Australia) Pty Ltd.
37.	CUMI Canada Inc.
38.	CUMI Middle East FZE
39	Laserwords US Inc.
40.	Parry America Inc
41.	CUMI International Limited
Proprietorship and Partnership	
42.	AMM Educational Foundation
43.	AMM Arunachalam & Sons P Ltd.
44.	AMM Vellayan Sons P Ltd.

S. No.	Names of the Promoters
45.	MM Muthiah Sons P Ltd.
46.	Murugappa & Sons
47.	Yelnoorkhan Group Estates
48.	Kadamane Estates Company
Trust and Foundations	
49.	TII Shareholding Trust
50.	MM Muthiah Research Foundation
51.	A R Lakshmi Achi Trust
52.	AMM Foundation
53.	AMM Medical Foundation

We have limited the disclosures in respect of companies in the same group as our Promoters to the top five listed companies of the Promoter and Promoter's group. Details of the top five listed companies promoted by our Promoters and their background is as set out below –

E.I.D. Parry (India) Limited (EID)

E.I.D. Parry (India) Limited (EID), was incorporated as a public limited company on September 22, 1975, under the provisions of the Companies Act, 1956.

The registered office of EID is situated at 'Dare House' 234, N.S.C Bose Road, Parrys Corner, Chennai – 600 001. The main business activity of the company is manufacture and sale of sugar, chemicals, generation of power and bio products consisting of bio-pesticides and nutraceuticals.

Share holding pattern of EID as on March 31, 2007

The equity shareholding of EID as of March 31, 2007 is as stated below:

S. No.	Category	Number of shares held	% of shareholding
I. PROMOTERS & PROMOTER GROUP HOLDING			
	Promoters	37,362,905	41.86
SUB TOTAL (I)		37,362,905	41.86
II. NON PROMOTERS HOLDING			
II (i)	Institutional Investors		
	(a) Mutual funds and UTI	7,384,703	8.27
	(a) Banks, financial institutions and insurance companies	11,773,207	13.19
	(b) FIIs / GDRs	10,831,843	12.14
II (ii)	Others		
	(a) Private body corporates	2,665,648	2.99
	(b) Indian public / HUF / Clearing members	17,953,535	20.12
	(c) NRIs / OCBs / Foreign nationals	1,226,679	1.37
	(d) Trusts	49,995	0.06
SUB TOTAL (II)		51,885,610	58.14
TOTAL		**89,248,515**	**100**

There has been no change in capital structure and the management of EID in the last six months.

Board of directors

The board of directors of EID comprises of:

Mr. A. Vellayan : Chairman
Mr. P. Rama Babu : Managing Director
Mr. Anand Narain Bhatia : Director
Mr. S.B. Mathur : Director

Mr. M.M. Venkatachalam: Director
Mr. R.A. Savoor : Director
Mr. S. Viswanathan : Director

Financial performance

The financial performance of EID for the last three fiscal years is as follows:

(in Rs. Lakhs)

As on March 31	2007	2006	2005
Equity Share Capital	1785	1785	1785
Reserves and surplus*	51220	46154	39065
Total income	70718	97816	77078
Profit after tax	12742	11584	10426
Earning per share (Rs.)	14.28	12.98**	58.41
Book Value per share (Rs.)	60	54.41	234.98

* Net of revaluation reserves and miscellaneous expenditures not written off
**The equity shares of Rs. 10 each were subdivided into shares of Rs. 2 each with effect from June 3, 2005

Information about the share price of EID

The existing equity shares of EID are listed at MSE, BSE and NSE. In addition, the Company has global depository receipts listed on the Luxembourg Stock Exchange.

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Period	High (Rs.)	Low (Rs.)
March 2007	129.2	119.75
April 2007	130.25	121
May 2007	123.55	115.8
June 2007	126.6	113
July 2007	142.9	126.15
August 2007	136	117.15

The monthly high and low of the market price of the shares on NSE for the last six months are as follows:

Period	High (Rs.)	Low (Rs.)
March 2007	129.15	120.1
April 2007	130.7	121.35
May 2007	123.55	115.55
June 2007	126.95	112.85
July 2007	142.5	126.2
August 2007	135.95	116.4

There has been no trading in the shares of the Company in MSE in the last six months

Disclosure on capital issue

In the year 1993, the company came out with a right issue of 3537200 15% partly convertible debentures of Rs.150/- each aggregating to Rs.53.55 crs

Details of public / rights issue in the last three years

EID has not made any public issue or rights issue of equity shares during the last three years.

Promise vs. Performance

Kindly refer to page 250 of this Letter of Offer

Carborundum Universal Limited (CUMI)

Carborundum Universal Limited (CUMI) was incorporated as a public limited company on April 21, 1954, under the provisions of the Companies Act, 1956. The registered office of CUMI is situated at Parry House, 43, Moore Street, Chennai 600 001.The main business activity of the company is to manufacture of abrasives, refractories and related products.

Share holding pattern of CUMI as on March 31, 2007

The equity shareholding of CUMI as of March 31, 2007 is as stated below:

S. No.	Category	Number of shares held	% of shareholding
I. PROMOTERS & PROMOTER GROUP HOLDING			
	(a) Individuals / HUF	6,464,829	6.93
	(b) Body Corporates	33,433,360	35.81
SUB TOTAL (I)		39,898,189	42.74
II. NON PROMOTERS HOLDING			
II (i)	Institutional Investors		
	(a) Mutual funds and UTI	3,930,346	4.21
	(b) Bank and financial institutions	44,068	0.05
	(c) Insurance companies	10,346,059	11.08
	(d) FIIs	5,513,388	5.91
II (ii)	Others		
	(a) Body corporates	4,992,800	5.35
	(b) Individuals	28,607,269	30.64
	(c) Clearing members	17,881	0.02
	(d) Trust	4,000	0.00
SUB TOTAL (II)		53,455,811	57.26
TOTAL		**93,354,000**	**100**

There has been no change in capital structure and the management of CUMI in the last six months.

Board of directors

The board of directors of CUMI comprises of:

Mr. M.M. Murugappan	:	Chairman
Mr. K. Srinivasan	:	Managing Director.
Mr. S.N. Talwar	:	Director
Mr. Subodh Kumar Bhargava	:	Director
Mr. T.L. Palani Kumar	:	Director
Mr. T.M.M Nambiar	:	Director
Mr A Vellayan	:	Director
Mr Sridhar Ganesh	:	Director

Financial Performance

The financial performance of CUMI for the last three fiscal years is as follows:

(In Rs. Lakhs)

As on March 31	2007	2006	2005
Equity Share Capital	1,867	1,867	934
Reserves and surplus*	25,222	21,559	18663
Total income	54,819	42,051	32692
Profit after tax	5,866	7661	3842

Earning per share (Rs.)	6.28	8.21**	8.23**
Book Value per share (Rs.)	29	25**	42**

* Net of revaluation reserves and miscellaneous expenditures not written off
** Face Value: Rs. 2 per share.
Note: EPS and Book Value for the year 2006 are on the equity capital enlarged by a 1:1 bonus

Information about the share price of CUMI

The existing equity shares of CUMI are listed at BSE, NSE and MSE.

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Period	High	Low
March 2007	160.65	140
April 2007	158.65	140.75
May 2007	173.25	141.7
June 2007	180.25	151.9
July 2007	190	166.20
August 2007	182.50	167

The monthly high and low of the market price of the shares on NSE for the last six months are as follows:

Period	High	Low
March 2007	161.7	139.8
April 2007	158.3	141.3
May 2007	173.55	141.6
June 2007	180.6	151.25
July 2007	190.70	166.60
August 2007	182.50	165.20

There has been no trading in the shares of the Company in MSE in the last six months

Details of public / rights issue in the last three years

CUMI has not made any public issue or rights issue of equity shares during the last three years.

Promise vs. Performance

Refer to section titled "Promise v. Performance" beginning on page 250 of this Letter of Offer.

Parry Agro Industries Limited (PAIL)

Parry Agro Industries Limited (PAIL) was incorporated as a public limited company on September 24, 1977. The registered office of PAIL is situated at26/1847, Bristow Road, Willingdon Island, Kochi – 682003 . The main business activity of the company is plantations.

Share holding pattern of PAIL as on March 31, 2007

The equity shareholding of PAIL as of March 31, 2007 is as stated below:

S. No.	Category	Number of shares held	% of shareholding
I. PROMOTERS & PROMOTER GROUP HOLDING			
I (i)	Indian		
	(a) Individuals	505,401	13.37
	(b) Companies	2,577,895	68.61
	(c) Trusts	16,160	0.43
	(d) HUF	22,700	0.60

S. No.	Category	Number of shares held	% of shareholding
I (ii)	Foreign	67,000	1.78
SUB TOTAL (I)		3,189,156	84.89
II. NON PROMOTERS HOLDING			
II (i)	Institutional Investors		
	(a) Banks, financial institutions and insurance companies	50	0.00
	(b) FIIs	6,627	0.17
II (ii)	Others		
	(a) Private body corporates	135,203	3.59
	(b) Indian public	425,357	11.40
	(c) NRIs / OCBs	368	0.00
	(d) Trusts and HUF	871	0.02
	(e) Clearing members	55	0.00
SUB TOTAL (II)		567,660	15.11
TOTAL		**3,756,816**	**100**

There has been no change in capital structure and the management of PAIL in the last six months.

Board of directors

The board of directors of PAIL comprises of:

Mr. M.M. Venkatachalam	:	Chairman
Mr. M.A. Alagappan	:	Director
Lt.Gen.(Retd.)A.S. Kalkat	:	Director
Mr. Ravi Sam	:	Director
Mr. Ramesh Rajah	:	Director
Mr. V. Srikanth	:	Director
Mr. V. Ramaswamy	:	Director
Mr. Nalin Khanna	:	Chief Executive and Director

Financial performance

The financial performance of PAIL for the last three fiscal years is as follows:

(In Rs. Lakhs)

As on March 31	2007	2006	2005
Equity Share Capital	376	376	376
Reserves and surplus*	10,552	7,912	5,147
Total income	11,314	12,541	10,394
Profit after tax	3,304	3,942	1,246
Earning per share (Rs.)	86.42	102.10	30
Book Value per share (Rs.)	290.87	220.60	301

Information about the share price of PAIL

The existing equity shares of PAIL are listed at the BSE, MSE and Cochin Stock Exchange .

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Period	High	Low
March 2007	1474.6	1310
April 2007	1375.35	1264.3
May 2007	1395	1268.95
June 2007	1310	1201
July 2007	1422.60	1220
August 2007	1433	1270.55

There has been no trading in the shares of the Company on MSE and Cochin Stock Exchange in the last six months

Details of public / rights issue in the last three years

PAIL has not made any public issue or rights issue of equity shares during the last three years.

Promise vs. Performance

Refer to section titled "Promise v. Performance" beginning on page 250 of this Letter of Offer.

Coromandel Fertilisers Ltd. (CFL)

Coromandel Fertilisers Ltd. (CFL) was registered as a public limited company on October 6, 1961 under the provisions of the Companies Act, 1956. The registered office of CFL is situated at "Coromandel House", 1-2-10 Sardar Patel Road, Secunderabad – 500 003. The main business activity of the company is to manufacture and market fertilizers.

Shareholding pattern of CFL as on March 31, 2007

The equity shareholding of CFL as of March 31, 2007 is as stated below:

S. No.	Category	Number of shares held	% of shareholding
I. PROMOTERS & PROMOTER GROUP HOLDING			
	Promoters	89,109,620	70.15
	SUB TOTAL (I)	89,109,620	70.15
II. NON PROMOTERS HOLDING			
II (i)	Institutional Investors		
	(a) Mutual funds and UTI	4,637,704	3.65
	(b) Banks, financial institutions and insurance companies	7,120,139	5.60
	(c) FIIs	3,727,158	2.93
II (ii)	Others		
	(a) Private body corporates	2,626,967	2.07
	(b) Indian public	19,267,525	15.18
	(c) NRIs / OCBs	489,432	0.38
	(d) Foreign nationals	48,070	0.04
	(e) Foreign companies	250	0.00
	(f) Foreign banks	920	0.00
	SUB TOTAL (II)	37,918,173	29.85
	TOTAL	**127,027,793**	**100**

There has been no change in capital structure and the management of CFL in the last six months.

Board of directors

The board of directors of CFL comprises of:

Mr. A. Vellayan	:	Chairman
Mr. V. Ravichandran	:	Managing Director
Mr. T.M.M. Nambiar	:	Director
Mr. M.K. Tandon	:	Director
Mr. D.E. Udwadia	:	Director
Mr. S. Viswanathan	:	Director
Mr. M M Venkatachalam	:	Director

Financial performance

The financial performance of CFL for the last three fiscal years is as follows:

(In Rs. Lakhs)

As on March 31	2007	2006	2005
Equity Share Capital	2,541	2,541	2,541
Reserves and surplus*	48,686	41,258	35,982
Total income	208,423	187,471	155,417
Profit after tax	10,074	8,355	6,919
Earning per share (Rs.)	(diluted) 7.88	6.57	27.24
Book Value per share (Rs.)	40.10	34.50	149

* Net of revaluation reserves and miscellaneous expenditures not written off

\# Includes Farm Inputs Division of EID Parry (India) Ltd., which merged with CFL effective April 1, 2003

Note: EPS and Book Value per share have been computed based on the split value of Rs. 2/- per share. During the year the equity shares of face value of Rs. 10/- each have been sub-divided into five shares of Rs.2 /- each

Information about the share price of CFL

The existing equity shares of CFL are listed at BSE, NSE and Hyderabad Stock Exchange Limited.

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Period	High (Rs.)	Low (Rs.)
March 2007	77.55	63.05
April 2007	75.25	64.3
May 2007	77.05	71.2
June 2007	79.1	70.5
July 2007	87.55	81.20
August 2007	94.15	79.80

The monthly high and low of the market price of the shares on NSE for the last six months are as follows:

Period	High (Rs.)	Low (Rs.)
March 2007	77.25	63.2
April 2007	75	64.3
May 2007	77.05	70.85
June 2007	78.75	70.5
July 2007	86.85	80.95
August 2007	95.1	80.10

There is no trading of the shares on Hyderabad Stock Exchange Limited for the last six months

Details of public / rights issue in the last three years

CFL has not made any public issue or rights issue of equity shares during the last three years.

Godavari Fertilisers and Chemicals Limited (GFCL)

Godavari Fertilisers and Chemicals Limited (GFCL), was incorporated as a private limited company on December 17, 1981, under the provisions of the Companies Act, 1956 and was later converted into a public limited company on August 31, 1984.. The registered office of GFCL is situated at Coromandel House, -2-10, Sardar Patel Road, Secunderabad – 500 003.The main business activity of the company is to manufacture of fertilisers.

Share Holding Pattern of GFCL as on March 31, 2007

The equity shareholding of GFCL as of March 31, 2007 is as stated below:

S. No.	Category	Number of shares held	% of shareholding
I. PROMOTERS & PROMOTER GROUP HOLDING			
	(a) Body corporates	14,422,252	45.07
	(b) Individuals	-	-
	(c) Societies	8,001,000	25.00
SUB TOTAL (I)		22,423,252	70.07
II. NON PROMOTERS HOLDING			
II (i)	Institutional Investors		
	(a) Mutual funds and UTI	4,400	0.01
	(b) Banks and financial institutions	3,200	0.01
	(c) FIIs	52,356	0.16
II (ii)	Others		
	(a) Body corporates		
	Indian	1,568,704	4.90
	Foreign	3,200,000	10.00
	(b) Individuals	4,046,019	12.65
	(c) NRIs	699,888	2.19
	(d) Clearing members	1,881	0.01
	(e) Trusts	300	0.00
SUB TOTAL (II)		9,576,748	29.93
TOTAL		**32,000,000**	**100**

There has been no change in capital structure and the management of GFCL in the last six months.

Coromandel Fertilisers Limited (CFL) has acquired the entire shareholding of IFFCO in the Company, representing 25% of the equity share capital of the Company, on 12th April 2007. CFL had also made an Open Offer under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and acquired shares aggregating to 4.85% of the equity share capital of the Company, which were tendered by the public under the Open Offer. Consequent to these acquisitions, the shareholding of CFL in the Company, has increased to 74.92% and the Company has become a subsidiary of CFL with effect from 12th April 2007.

Board of directors

The board of directors of GFCL comprises of:

Mr. A. Vellayan	:	Chairman
Mr. B.V.R. Mohan Reddy	:	Director
Mr. V. Ravichandran	:	Managing Director
Mr. Santosh Reddy	:	Director
Mr. K Balasubramanian	:	Director
Mr. N Srinivasan	:	Director

Financial performance
The financial performance of GFCL for the last three fiscal years is as follows:

(In Rs. Lakhs)

As on March 31	2007	2006	2005
Equity Share Capital	3,200	3,200	3,200
Reserves and surplus*	10,222.49	6,863.07	4,982.83
Total income	180,353.82	152,564.42	121,146
Profit after tax	4,928.94	2,610	1,709.28
Earning per share (Rs.)	15.4	8.16	5.34
Book Value per share (Rs.)	41.94	31.45	25.57

Information about the share price of GFCL

The existing equity shares of GFCL are listed at BSE, NSE and Hyderabad Stock Exchange.

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Period	High	Low
March 2007	147.2	111.6
April 2007	126.5	111.5
May 2007	120	106.2
June 2007	109.75	100.85
July 2007	133.45	102.15
August 2007	133.30	116.10

The monthly high and low of the market price of the shares on NSE for the last six months are as follows:

Period	High	Low
March 2007	147.5	110.6
April 2007	126.5	109.9
May 2007	121	107.1
June 2007	107.5	100.4
July 2007	131.55	102.70
August 2007	129.80	116.05

There has benn no trading in the shares of GFCL on the Hyderabad Stock Exchange in the last 6 months.

Details of public / rights issue in the last three years

GFCL has not made any public issue or rights issue of equity shares during the last three years.

PROMOTERS AND PROMOTER GROUP SHAREHOLDING

Shareholding of Promoters

S. No.	Promoters	No. of shares held	% of pre-issue paid up share capital
1.	Mr. M.V. Murugappan	135,000	0.36
2.	Mr. M.V. Subbhiah	125,025	0.33
3.	Mr. M.A Alagappan	331,646	0.87
4.	Mr. A Vellayan	78,375	0.21
5.	Mr. M.M Murugappan	21,150	0.06
6.	Mr. M.M Venkatachalam	37,443	0.10
7.	TII	11,738,498	30.93
8.	DBS Bank Ltd.	14,221,985	37.48
Total		**26,689,122**	**70.33**

2. Shareholding of Promoter Group

S. No.	Promoter group	No. of shares held	% of pre-issue paid up share capital
1.	Mrs. M V Valli Murugappan	85,500	0.23
2.	Mrs. M V Seetha Subbiah	124,950	0.33
3.	Mr. S Vellayan	125,025	0.33
4.	Mrs. A A Alagammai	25,000	0.07
5.	Mr. Arun Alagappan	160,000	0.42
6.	Mrs. A.Keertika Unnamalai	6,500	0.02
7.	Mrs. M V AR Meenakshi	94,875	0.25
8.	Mrs. Lalitha Vellayan	53,100	0.14
9.	Mr. V Narayanan	57,600	0.15
10.	Mr. V Arunachalam	56,287	0.15

S. No.	Promoter group	No. of shares held	% of pre-issue paid up share capital
11.	Mr. A Venkatachalam	109,669	0.29
12.	Mrs. Meyyammai Venkatachalam	40,029	0.11
13.	Mr. A V Arunachalam	69,000	0.18
14.	Mrs. Meenakshi Murugappan	38,150	0.10
15.	Mr. M M Muthiah	30,900	0.08
16.	Mr. M M Veerappan	14,750	0.04
17.	Mrs. Lakshmi Venkatachalam	64,105	0.17
18.	Mrs. M V Muthiah	16,743	0.04
19.	Mr. M V Subramanian	4,087	0.01
20.	Mrs. A M Meyyammai	34,500	0.09
21.	Mr. M A M Arunachalam	22,500	0.06
22.	E.I.D.Parry (India) Ltd.	225	0.00
23.	Parry Enterprises India Ltd (earlier known as Parry Engineering and Exports Ltd).	225	0.00
24.	New Ambadi Estates Private Ltd	100	0.00
25.	Parry Agro Industries Ltd	100	0.00
26.	New Ambadi Investments Pvt Ltd (merged with New Ambadi Estates Private Limited)	435	0.00
27.	Ambadi Enterprises Ltd	33,300	0.09
28.	Presmet Pvt Ltd	450	0.00
29.	Carborundum Universal Ltd	100	0.00
30.	Coromandel Holdings and Minerals Ltd (merged with Coromandel Engineering Company Limited)	150	0.00
31.	A.M.M.Educational Foundation	225	0.00
32.	A M M Arunachalam Sons Pvt Ltd	412,500	1.09
33.	A M M Vellayan Sons Pvt Ltd	3,037	0.01
34.	M M Muthiah Research Foundation	16,200	0.04
35.	A R Lakshmi Achi Trust	54,531	0.14
Total		**1,754,848**	**4.63**

Further, none of the Promoter and Promoter Group entities listed hereunder have been termed as sick companies under the SICA and there are no winding up proceedings against any of such companies.

None of the companies, apart from Parrys Confectionerys Ltd, now called Lotte India Corporation Limited which moved out of the group in 2004, have disassociated themselves.

For details of litigation against these companies, please refer to the section titled "Outstanding Litigation and Defaults –. Promoter Group" beginning on page 221 of this Letter of Offer.

INTERESTS OF PROMOTERS AND COMMON PURSUITS

The aforementioned Promoters of the Company are interested to the extent of their shareholding in the Company. Further, the individual Promoters who are also the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them as per the terms of our Articles and relevant provisions of Companies Act. Our Promoter Directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of this Letter of Offer and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, our Promoters are also director on the boards of certain Promoter Group companies and they may be deemed to be interested to the extent of the payments made by the Company, if any, to these Promoter Group companies.

Except as stated otherwise in this Letter of Offer, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Letter of Offer in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business. For the payments that are made by our Company to certain Promoter Group companies that are related parties as per AS 18, please refer to the section titled "Related Party Transactions" on page 98 of this Letter of Offer.

We confirm that the permanent account numbers, bank account numbers and passport numbers of the Promoters have been submitted to the BSE, NSE and MSE at the time of filing of the Letter of Offer with the Stock Exchanges. Further, the Promoters have not been detained as a willful defaulter by the Reserve Bank of India or any other Government Authority and there are no violations of securities laws committed by the Promoters in the past or no such proceedings are pending against the Promoters.

RELATED PARTY TRANSACTIONS

Annexure VIII

Cholamandalam DBS Finance Limited

Statement of Related Party Transactions

As per the Accounting Standard 18 on Related Party Disclosure (AS 18) issued by the Institute of Chartered Accountants of India, the related parties, as identified by the Management are as follows:

List of Related Parties:

- **Companies holding Substantial Interest in Voting Power**: Tube Investments of India Limited and DBS Bank Limited, Singapore (from January 3, 2006)
- **Subsidiaries**: DBS Cholamandalam Asset Management Limited, Cholamandalam Securities Limited, DBS Cholamandalam Distribution Limited, and DBS Cholamandalam Trustees Limited
- **Associate** : Cholamandalam Factoring Limited (upto June 30, 2005)
- **Joint Venture** : Cholamandalam MS Risk Services Limited (upto January 3, 2006)
- **Key Management Person**: Mr. Atul Pande (from April 1, 2006)
  Mr. M Anandan (upto March 31, 2006)
  Mr.Partho Datta (upto March 31,2004)

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Dividend Receipts	Tube Investments of India Limited	-	-	-	-	-
	Cholamandalam Securities Limited	100	125	51	-	-
	Cholamandalam Factoring Limited	NA		3	2	-
Dividend Payments	Tube Investments of India Limited	587	926	-	615	745
	DBS Bank Limited	730	-	NA	NA	NA
	Key Management Person	-	2	-	2	1
Interest Receipts	DBS Cholamandalam Asset Management Limited	-	-	-	-	-
	Cholamandalam Securities Limited	-	11	4	2	3
	DBS Cholamandalam Distribution Limited	4	17	10	3	5
	Cholamandalam Factoring Limited	NA	2	11	18	-
	Key Management Person	-	-	-	-	-
Interest Payments	Cholamandalam Securities Limited	-	-	-	1	4
Rent (including hiring) Receipts	Cholamandalam Securities Limited	23	4	4	11	-
	DBS Cholamandalam Distribution Limited	20	10	5	14	17
	DBS Cholamandalam Asset Management Limited	51	-	-		1
	Cholamandalam MS Risk Services Limited	NA	-	-	-	1
Rent Payments	Tube Investments of India Limited	-	-	-	18	22
	Relative of Key Management Person *	-	4	4	3	3
	DBS Cholamandalam Asset Management Limited	-	-	-	1	8
Rent deposit	Relative of Key Management Person *	-	-	-	3	-
Receipt of Lease Rentals	DBS Cholamandalam Distribution Limited	-	1	2	12	12
Payments for Services Rendered	Cholamandalam Securities Limited	11	11	7	2	60
	DBS Cholamandalam Distribution Limited	3	10	23	38	52
Receipts for Services Rendered	Cholamandalam Securities Limited	-	183	138	115	108
	DBS Cholamandalam Distribution Limited	-	336	307	173	164
	DBS Cholamandalam Asset Management Limited	-	5	3	29	22
	Cholamandalam MS Risk Services Limited	NA	-	2	-	-
	Cholamandalam Factoring Limited	NA	-	-	-	-
Purchase of Fixed Assets	Cholamandalam Securities Limited	-	-	-	-	3
	DBS Cholamandalam Distribution Limited					-
	DBS Cholamandalam Asset Management Limited					-
Sale of Fixed Assets	Cholamandalam Securities Limited			1	-	
	DBS Cholamandalam Distribution Limited		-	1	-	
Sale of Intangible Assets (Copyright)	Tube Investments of India Limited	-	-	-		
Sale of Investments	Tube Investments of India Limited	-	1,649	-		
Advances/ Deposits Given	DBS Cholamandalam Distribution Limited	215	-	203		
	Tube Investments of India Limited	1	-			
	DBS Cholamandalam Asset Management Limited	-	-			
Advances/Deposits Recovered	DBS Cholamandalam Distribution Limited	135	104	-		
Subscription of Equity Shares	DBS Cholamandalam Asset Management Limited	2,000	-	500		
	DBS Cholamandalam Distribution Limited - Rs.70 only	-	-	-	-	-
	Cholamandalam Securities Limited - Rs.140 only	-	-	-	-	-
	DBS Cholamandalam Trustee Limited - Rs.70 only	-	-	-	-	-
Redemption of Preference Shares	DBS Cholamandalam Asset Management Limited	750	-			
Waiver of Rights to Arrears of Preference Dividend	DBS Cholamandalam Asset Management Limited	-	338	-	-	-
	Cholamandalam Securities Limited	-	-	116	-	-

Cholamandalam DBS Finance Limited

Statement of Related Party Transactions

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Remuneration	Key Management Person (Mr Atul Pande)	111	NA	NA	NA	NA
	Key Management Person (Mr M Anandan)	NA	107	89	156	119
Asset given on lease - Unmatured Instalments	DBS Cholamandalam Distribution Limited	-	-	-	4	14
Expenses –Reimbursed	Tube Investments of India Limited	1	87	-		
	DBS Cholamandalam Distribution Limited	1	3	8		
	Cholamandalam Securities Limited	-	-	-		
	DBS Cholamandalam Asset Management Limited	4	-	4		
	DBS Bank Limited	33		NA	NA	NA
Amounts Received towards	Tube Investments of India Limited	1	2	2		
Reimbursements of Expenses	DBS Cholamandalam Distribution Limited	35	33	16		
	DBS Cholamandalam Asset Management Limited	21	26	41		
	Cholamandalam MS Risk Services Limited	NA	24	20		
	Cholamandalam Securities Limited	21	22	12		
	Cholamandalam Factoring Limited	NA		10		
Debentures (Subordinated Debt issued)	DBS Bank Limited	1,100	-	NA	NA	NA
Director's Sitting Fees and Commission	DBS Limited	2	-	NA	NA	NA
Net Amounts Receivable/ (Due) as at Year end	Cholamandalam Securities Limited	6	-	23	(1)	(15)
	Tube Investments of India Limited	-	-	-	6	-
	DBS Cholamandalam Distribution Limited	-	(1)	(1)	-	-
	DBS Cholamandalam Distribution Limited	94	102	206	3	116
	DBS Cholamandalam Asset Management Limited	17	7	19	1	94
	DBS Bank Limited	(1,130)	-	NA	NA	NA
	Cholamandalam Factoring Limited	NA	93	155	169	241
	Cholamandalam MS Risk Services Limited	NA	-	3	8	-
	Key Management Person	-	-	-	9	10
	Relative of Key Management Person *	-	3	3	3	-

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

SECTION VII: FINANCIAL INFORMATION

REPORT OF THE AUDITOR ON FINANCIAL INFORMATION

July 19, 2007

The Board of Directors
Cholamandalam DBS Finance Limited
No.2, Dare House
NSC Bose Road
Chennai – 600 001

Dear Sirs,

1. As required by Part II of Schedule II of the Companies Act, 1956, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the request letter dated May 10, 2007, received from Cholamandalam DBS Finance Limited ("the Company"), we have examined the financial information contained in the statements annexed to this report which is to be included in the Offer Document for the Proposed Rights Issue of equity shares.

   The Company's Management is responsible for the preparation of the aforesaid financial information contained in the Statements annexed to this report. Our responsibility is to report based on the work done. We report thereon as follows:

2. We have examined the 'Statement of Restated Profits and Losses' of the Company for each of the five financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 and the 'Statement of Restated Assets and Liabilities' as at those dates enclosed as Annexure I and II, respectively, to this report and confirm that:

   (a) These Statements reflect the profits and losses, and the assets and liabilities of the Company for each of the financial years as extracted from the:

      (i) Profit and Loss Account for the financial year ended March 31, 2007 and the Balance Sheet as at March 31, 2007 which have been audited and reported upon by us and approved by the Board of Directors at its meeting held on April 25, 2007 and which are subject to adoption by the members at the next Annual General Meeting;

      (ii) Profit and Loss Account for the financial year ended March 31, 2006 and the Balance Sheet as at March 31, 2006 which have been audited and reported upon by us and adopted by the members; and

      (iii) Profit and Loss Account for the financial years ended March 31, 2005, 2004 and 2003, and the Balance Sheet as at March 31, 2005, 2004 and 2003 which have been audited and reported upon by M/s Price Waterhouse, Chartered Accountants, and which have been adopted by the members;

      after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Securities and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000 ('the Guidelines') and such regroupings as we considered necessary, except as indicated in paragraphs (b), (c) and (d) below.

   (b) It has not been possible for the Company to determine the effect on profits, reserves and net assets, of the following changes in accounting policies, had the same been given effect to in each of the accounting years preceding the year of change; accordingly adjustments to profits, reserves and net assets, if any, have been made prospectively from the year of change in respect of these changes:

(i) The Reserve Bank of India (RBI) has issued certain directives on income recognition, asset classification, provisioning and other related maters. The Company has given effect to these changes in the relevant years so as to be in compliance with the RBI directives. Adjustments to profits, assets and liabilities of the Company, consequent to compliance with the aforesaid directions, have not been carried out retrospectively for the reasons stated in Note 2(i) of Annexure IV.

(ii) Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, the Company had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Accounts for the year ended March 31, 2007 by the Board of Directors on April 25, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements for the reasons stated in Note 2 (ii) of Annexure IV.

(iii) During the year ended March 31, 2007, the Company had accounted for its Gratuity liability based on the actuarial valuation determined by Life Insurance Corporation of India based on Projected Unit Credit method consequent to early adoption of AS 15 on Employee Benefits (revised 2005) as indicated above. However, retrospective adjustments and disclosures for previous financial years have not been done for the reasons stated in Note 2(iii) of Annexure IV.

(c) Consequent to the change in the accounting policy relating to securitisation transactions of the Company, the securitisation gains recognized upfront during the years ended March 31, 2006, 2005, 2004 and 2003 have been amortised over the tenor of the underlying contracts based on Management's estimates for the reasons stated in Note 1 (i) of Annexure IV.

(d) Except for the year ended March 31, 2007, the Company has not presented the disclosures mandated in the 'Guidelines on Securitisation of Standard Assets' issued by RBI vide circular no. DBOD. No B.P.BC. 60/21.04.048/2005-06 dated February 1, 2006 pertaining to Assets Securitised in the prior financial years for the reasons stated in Note 3 of Annexure IV.

(e) The Significant Accounting Policies adopted by the Company are enclosed as Annexure III to this report.

(f) The Notes to the Accounts are enclosed as Annexure IV to this report.

(g) Subject to our comments in paragraph 2(b) above and read with our comments in paragraphs 2(c) and (d) above, the above financial statements have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirements of clause B of Part II of Schedule II of the Companies Act, 1956 as amended from time to time.

3. We have examined the 'Statement of Restated Cash Flows' of the Company for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 enclosed as Annexure V to this report and confirm that it has been prepared by the Company in accordance with the requirements of Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India from the Statement of Restated Profits and Losses and the Statement of Restated Assets and Liabilities as given in Annexures I and II, respectively.

4. We have examined the details of Secured Loans of the Company outstanding as at March 31, 2007, 2006, 2005, 2004 and 2003 and the terms relating to the Secured Loans outstanding as at March 31, 2007 are enclosed as Annexure VI to this report.

5. We have examined the details of Unsecured Loans of the Company outstanding as at March 31, 2007, 2006, 2005, 2004 and 2003 and the terms relating to the Unsecured Loans outstanding as at March 31, 2007 are enclosed as Annexure VII to this report.

6. We have examined the Statement of Related Party Transactions in respect of each of the five financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 enclosed as Annexure VIII to this report and confirm that the relationship and transactions between the Company and its related parties, as identified by the Management and relied upon by us, have been appropriately reported in accordance with Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India.

7. We have examined the 'Capitalisation Statement' of the Company as at March 31, 2007 enclosed as Annexure IX to this report and report that it correctly records the matters stated therein.

8. We have examined the 'Statement of Dividend Paid' by the Company in respect of each of the five financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 on Equity and Preference Shares of the Company enclosed as Annexure X to this report and confirm that it correctly reflects the dividend paid in respect of each of those years.

9. We have examined the 'Statement of Accounting and Other Ratios' of the Company for each of the five financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 enclosed as Annexure XI to this report and confirm that these have been correctly computed from the figures stated in the Statement of Restated Profits and Losses and Statement of Restated Assets and Liabilities as given in Annexures I and II, respectively.

10. We have examined the 'Statement of Tax Shelter' of the Company for each of the five financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 enclosed as Annexure XII to this report. This statement of tax shelter reconciles the Company's book profits and its taxable profits for each of the five financial years ended March 31, 2007. The reconciling items included in this Statement of tax shelter are reflective of Management's estimates and judgment exercised and tax laws prevalent at the time of finalisation of the respective financial statements. These items have not been updated to reflect any subsequent changes in tax law and additional information/facts obtained by the Company. In our opinion, it correctly reflects the 'Tax Shelter' for the Company for each of those years.

11. We have examined the 'Statement of Restated Consolidated Profits and Losses' of the Company, its subsidiaries, jointly controlled entity and associate ('the Group') for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 and the 'Statement of Restated Consolidated Assets and Liabilities' as at those dates enclosed as Annexure XIII and XIV, respectively, to this report and confirm that:

    (a) These Statements reflect the profits and losses, and the assets and liabilities of the Group for each of the financial years as extracted from the:

        (i) Consolidated Profit and Loss Account for the financial year ended March 31, 2007 and the Consolidated Balance Sheet as at March 31, 2007 which have been audited and reported upon by us and approved by the Board of Directors at its meeting held on April 25, 2007.

        (ii) Consolidated Profit and Loss Account for the financial year ended March 31, 2006 and the Consolidated Balance Sheet as at March 31, 2006 which have been audited and reported upon by us; and

        (iii) Consolidated Profit and Loss Account for the financial years ended March 31, 2005, 2004 and 2003, and the Consolidated Balance Sheet as at March 31, 2005, 2004 and 2003 which have been audited and reported upon by M/s Price

Waterhouse, Chartered Accountants after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Securities and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000 ('the Guidelines') and such regroupings as we considered necessary, except as indicated in paragraphs (b), (c) and (d) below.

(b) It has not been possible for the Company / Group to determine the effect n profits, reserves and net assets, of the following changes in accounting policies, had the same been given effect to in each of the accounting years preceding the year of change; accordingly adjustments to profits, reserves and net assets, if any, have been made prospectively from the year of change in respect of these changes:

(i) The Reserve Bank of India (RBI) has issued certain directives on income recognition, asset classification, provisioning and other related maters. The Company has given effect to these changes in the relevant years so as to be in compliance with the RBI directives. Adjustments to profits, assets and liabilities of the Company, consequent to compliance with the aforesaid directions, have not been carried out retrospectively for the reasons stated in Note 2(i) of Annexure XVI

(ii) Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, the Group had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Consolidated Accounts for the year ended March 31, 2007 by the Board of Directors on April 25, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements for the reasons stated in Note 2(ii) of
Annexure XVI.

(iii) During the year ended March 31, 2007, the Group had accounted for its Gratuity liability based on the actuarial valuation determined by Life Insurance Corporation of India based on Projected Unit Credit method consequent to early adoption of AS 15 on Employee Benefits (revised 2005) as indicated above. However, retrospective adjustments and disclosures for previous financial years have not been done for the reasons stated in Note 2(iii) of Annexure XVI.

(iv) During the year ended March 31, 2007, the Group had accounted for its liability towards Short term compensated absences on actual basis consequent to the early adoption of AS 15 on Employee Benefits (revised 2005) as indicated above. However, retrospective adjustments for the previous financial years have not been done for one of the subsidiaries of the Company for the reasons stated in Note 2(iv) of Annexure XVI.

(c) Consequent to the change in the accounting policy relating to securitisation transactions of the Company, the securitisation gains recognized upfront during the years ended March 31, 2006, 2005, 2004 and 2003 have been amortised over the tenor of the underlying contracts based on Management's estimates for the reasons stated in Note 1(i) of Annexure XVI.

(d) Except for the year ended March 31, 2007, the Company has not presented the disclosures mandated in the 'Guidelines on Securitisation of Standard Assets' issued by RBI vide circular no.
DBOD. No B.P.BC. 60/21.04.048/2005-06 dated February 1, 2006 pertaining to Assets Securitised in the prior financial years for the reasons stated in Note 3 of Annexure XVI.

(e) With respect to the Consolidated Profit and Loss Account for the financial year ended March 31, 2007 and the Balance Sheet as at that date which have been audited by us, we have reported that:

(i) we did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets (net) of Rs. 2,874 lakhs as at March 31, 2007, total revenue of Rs. 1,676 lakhs for the year ended March 31, 2007 and net cash flows of Rs. 130 lakhs for the year ended on March 31, 2007. The financial statements of these subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

(ii) the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the Consolidated Financial Statements.

(f) With respect to the Consolidated Profit and Loss Account for the financial year ended March 31, 2006 and the Balance Sheet as at that date which have been audited by us, we have reported that:

(i) we did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets (net) of Rs. 2,546 lakhs as at March 31, 2006 and total revenue of Rs. 2,518 lakhs and net cash flows of Rs. 503 lakhs for the year ended on March 31, 2006. We have also not audited the accounts of the jointly controlled entity, whose financial statements reflect the share of revenue of Rs. 57 lakhs for the period ended January 3, 2006, and of the associate whose financial statements reflect the Company's share of profit of Rs. 1 lakh for the period ended June 30, 2005, being the respective dates of divestment of the investments in these entities. The financial statements of these subsidiaries, jointly controlled entity and associate have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, jointly controlled entity and associate, is based solely on the reports of the other auditors.

(ii) the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 Consolidated Financial Statements, Accounting Standard 23 Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries, jointly controlled entity (upto January 3, 2006) and associate (upto June 30, 2005) included in the Consolidated Financial Statements.

(g) With respect to the Consolidated Profit and Loss Account for the financial years ended March 31, 2005, 2004 and 2003 and the Balance Sheet as at March 31, 2005, 2004 and 2003 which have been audited by M/s Price Waterhouse, Chartered Accountants, they have reported that:

(i) they have not audited the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 3,072 lakhs, Rs. 2,365 lakhs, and Rs. 2,464 lakhs as at March 31, 2005, 2004 and 2003 respectively and total revenues of Rs. 1,182 lakhs, Rs. 1,258 lakhs, and Rs. 1,031 lakhs, for the financial year ended on March 31, 2005, 2004 and 2003 respectively and that these financial statements have been audited by other auditors whose reports were furnished to M/s Price Waterhouse, and their opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

(ii) the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries and the jointly controlled entity included in the Consolidated Financial Statements.

(h) The Significant Accounting Policies adopted by the Group are enclosed as Annexure XV to this report.

(i) The Notes to the Consolidated Accounts are enclosed as Annexure XVI to this report.

12. We have examined the 'Statement of Consolidated Cash Flows' of the Group for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 enclosed as Annexure XVII to this report and confirm that it has been prepared from the Statement of Restated Consolidated Profits and Losses and the Statement of Restated Consolidated Assets and Liabilities as given in Annexures XIII and XIV, respectively.

13. We further report that the information mentioned in items 4 to 8 has been correctly presented based on the Statement of Restated Profits and Losses and Statement of Restated Assets and Liabilities as given in Annexures I and II, respectively.

14. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Rights Issue of equity shares and is not to be used, referred to, or distributed for any other purpose without our prior written consent.

Yours faithfully,

For **Deloitte Haskins & Sells**
Chartered Accountants

K. Sai Ram
Partner
Membership No. 022360

Place: Chennai

Cholamandalam DBS Finance Limited **Annexure I**

Statement of Restated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Income from Operations (Note 1 below)	40,744	22,009	21,951	23,469	24,253
Other Income (Non-recurring)	169	137	7	1	12
Total Income	**40,913**	**22,146**	**21,958**	**23,470**	**24,265**
Staff Costs (Note 2 below)	3,805	1,814	1,463	1,284	1,026
Business Origination Outsourcing (Note 3 below)	5,943	1,572	1,906	2,832	1,492
Operating and Other Expenses (Note 4 below)	3,410	1,715	1,331	1,398	1,160
Financing Charges	18,893	9,942	8,922	9,065	10,444
Depreciation	560	417	934	1,828	3,929
Provisions, Loan Losses & Other Chgs (Note 5 below)	3,575	2,082	2,246	2,458	1,659
Total Expenditure	**36,186**	**17,542**	**16,802**	**18,865**	**19,710**
Net Profit Before Taxation and Extraordinary Items	**4,727**	**4,604**	**5,156**	**4,605**	**4,555**
Provision for Taxation					
- Income Tax	1,587	1,119	1,925	2,177	2,564
- Deferred Tax	-33	-100	-176	-628	-824
- Fringe Benefit Tax	71	65	-	-	-
Net Profit after Taxation before Extraordinary Items	**3,102**	**3,520**	**3,407**	**3,056**	**2,815**
Extraordinary Items (Note 8 of Annexure IV)		-	-	153	- -
Net Profit After Taxation and Extraordinary Items	**3,102**	**3,520**	**3,407**	**3,209**	**2,815**
Adjustments Due to Changes in Accounting Policies / Prior Period Items [Add / (Less)]					
Upfront Gain on Securitisation (Note 1(i) of Annexure IV)	468	136	-159	-157	-438
Business Origination Outsourcing (Note 1(ii) of Annexure IV)	-	55	541	1,069	-584
Employee Benefits (Note 1(iv) of Annexure IV)	-	-57	-52	-60	7
Prior Period Items (Note 1(v) of Annexure IV)					
- Income Tax	146	-146	-	-	-
- Other Items	-	-	-	95	-95
Tax effect of the above adjust. (Note 1(vi) of Annexure IV)	-157	-45	-121	-340	408
Net Adjustments (Also refer Note 2 of Annexure IV)	**457**	**-57**	**209**	**607**	**-702**
Restated Net Profit After Taxation	**3,559**	**3,463**	**3,616**	**3,816**	**2,113**

The accompanying significant accounting policies (Annexure III) and notes to the accounts (Annexure IV) form an integral part of this statement

Cholamandalam DBS Finance Limited

Notes to the Statement of Restated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1 : Income from Operations					
Income from Financing Activity					
- Automobile Financing (Note (a) below)	24,049	16,634	17,677	17,810	16,519
- Consumer Loans (Note (b) below)	9,205	71	196	397	294
- Loans Against Securities	2,505	2,022	1,913	2,089	2,295
- Loans Against Immovable Property	711	135	46	91	131
- Other Loans	3,177	893	571	262	493
- Bills Purchased and Discounted	-	29	28	24	17
- Lease Rentals	1	172	**757**	1,962	4,097
Sub-total	**39,648**	**19,956**	21,188	**22,635**	**23,846**
Investments - Dividend and Interest	1,091	548	376	517	371
Profit on Sale of Investments (Net) (Note (c) below)	5	1,505	387	317	36
Total before Adjustments	**40,744**	**22,009**	**21,951**	**23,469**	**24,253**
Adjustments for:					
- Upfront Gain on Securitisation (Note 1(i) of Annexure IV)	468	136	-159	-157	-438
- Prior Period Items (Note 1(v) of Annexure IV)	-	-	-	95	-95
Total after Adjustments	**41,212**	**22,145**	**21,792**	**23,407**	**23,720**
Notes:					
(a) Income from Automobile Financing comprises:					
- Interest on Loans	17,676	13,456	14,860	15,074	12,528
- Income on Assignment of Receivables	2,701	306	183	-	66
- Income on Securitisation of Receivables	53	574	817	557	705
- Other Operating Income	3,619	2,298	**1,817**	2,179	3,220
	24,049	**16,634**	17,677	**17,810**	**16,519**
(b) Income from Consumer Loans comprises:					
- Interest on Loans	5,877	37	184	383	277
- Upfront Income on Assignment of Receivables	1,206	-	-	-	-
- Other Operating Income	2,122	34	12	14	17
	9,205	**71**	**196**	**397**	**294**
(c) Profit on Sale of Investment includes:					
- Gain on Sale of 169,317 Equity Shares of Parry Agro Industries Limited	-	1,455	-	-	-
- Gain on Sale of 161,383 Equity Shares of Parry Confectionery Limited	-	-	217	-	-

Cholamandalam DBS Finance Limited

Notes to the Statement of Restated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 2 : Staff Costs					
Salaries, Wages, Bonus and Commission	3,332	1,550	1,243	1,056	781
Contribution to Provident and Other Funds	219	176	147	153	158
Staff Welfare Expenses	254	88	73	75	87
Total before Adjustments	**3,805**	**1,814**	**1,463**	**1,284**	**1,026**
Adjustment for Employee Benefits (Note 1(iv) of Annexure IV)	-	57	52	60	-7
Total after Adjustments	**3,805**	**1,871**	**1,515**	**1,344**	**1,019**
Note 3 : Business Origination Outsourcing					
Business Origination Outsourcing	5,943	1,572	1,906	2,832	1,492
Total before Adjustments	**5,943**	**1,572**	**1,906**	**2,832**	**1,492**
Adjustments (Note 1(ii) of Annexure IV)	-	-55	-541	-1,069	584
Total after Adjustments	**5,943**	**1,517**	**1,365**	**1,763**	**2,076**
Note 4 : Operating and Other Expenses					
Rent and Electricity Charges	995	335	349	363	264
Rates and Taxes	25	12	27	30	18
Communication Cost	547	348	256	222	199
Travelling and Conveyance	585	328	234	234	193
Advertisement Expenses	285	175	92	192	179
Information Technology Expenses	189	107	47	50	44
Insurance	90	48	36	33	24
Repairs and Maintenance :					
- Building	6	2	2	2	5
- Others	18	10	19	20	22
Printing and Stationery	244	84	77	96	103
Auditors' Remuneration	24	21	21	17	12
Miscellaneous Expenses	510	311	204	172	161
	3,518	**1,781**	**1,364**	**1,431**	**1,224**
Less : Expenses Recovered from Other Companies	108	66	33	33	64
	3,410	**1,715**	**1,331**	**1,398**	**1,160**
Note 5 : Provisions, Loan Losses and Other Charges					
Bad Debts	1,251	219	237	537	657
Less: Provision Released	774	90	142	145	130
	477	129	95	392	527
Provision for Sub-standard and Doubtful Receivables under Financing Activity	958	735	147	368	224
Loss on Repossessed Assets (Net)	1,471	922	1,687	1,311	210
Recovery Charges	642	289	255	371	92
Loss on Sale of Fixed Assets (Net)	-	-	11	16	20
Amortisation of Premium on Acquisition of Government Securities	27	7	51	-	586
	3,575	**2,082**	**2,246**	**2,458**	**1,659**

Cholamandalam DBS Finance Limited

Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Assets					
Fixed Assets (Cost) (Note 1 below)					
Assets Given on Lease	37	667	5,923	10,794	16,983
Gross Block	37	660	5,739	9,581	14,096
Less : Depreciation	-	7	184	1,213	2,887
Net Block					
Own Assets	4,853	3,154	2,539	2,292	2,245
Gross Block	1,559	1,064	1,119	933	749
Less : Depreciation	3,294	2,090	1,420	1,359	1,496
Net Block	70	117	2	26	-
Capital Advances					
Total Fixed Assets	3,364	2,214	1,606	2,598	4,383
Investments (Note 2 below)	7,957	6,916	12,956	8,057	10,422
Less : Provision for Diminution / Amortisation of Premium on Acquisition of Government Securities	81	54	81	314	695
Total Investments	7,876	6,862	12,875	7,743	9,727
Deferred Tax Asset (Net) (Note 11 of Annexure IV)	442	634	580	525	236
Current Assets, Loans & Advances					
Receivables under Financing Activity (Note 3 below)	326,928	189,555	147,682	141,917	119,166
Cash and Bank Balances (Note 4 below)	27,162	6,382	4,171	3,114	2,140
Other Current Assets (Note 5 below)	6,351	2,642	2,746	3,534	2,788
Other Loans and Advances (Note 6 below)	1,698	1,415	2,541	1,821	2,558
Total Current Assets, Loans and Advances	362,139	199,994	157,140	150,386	126,652
Total (A)	**373,821**	**209,704**	**172,201**	**161,252**	**140,998**
Liabilities and Provisions					
Secured Loans					
Redeemable Non-Convertible Debentures	124,356	48,100	37,000	35,000	38,500
Working Capital Demand Loans, Foreign Currency Loans and Cash Credit from Banks	45,448	30,451	15,988	23,185	24,246
Term Loans from Financial Institutions	-	-	-	3,849	3,000
Term Loans from Banks and Others	22,253	17,164	19,808	5,962	2,000
Total Secured Loans	192,057	95,715	72,796	67,996	67,746
Unsecured Loans					
Medium Term Non-Convertible Debentures – Subordinated Debt	15,000	-	-	-	-
Short Term Non-Convertible Debentures	60,000	17,000	-	11,000	15,700
Short Term Loans and Inter-Corporate Deposits (including Foreign Currency Loans)	35,395	15,260	20,175	9,559	130
Commercial Paper	12,456	29,639	24,179	21,165	9,248
Fixed Deposits	6,975	12,011	16,167	19,127	20,017
Total Unsecured Loans	129,826	73,910	60,521	60,851	45,095
Current Liabilities and Provisions					
Current Liabilities (Note 7 below)	15,927	6,034	5,494	8,179	8,056
Provisions (Note 8 below)	3,826	3,601	3,085	721	614
Total Current Liabilities and Provisions	19,753	9,635	8,579	8,900	8,670
Total (B)	**341,636**	**179,260**	**141,896**	**137,747**	**121,511**
Net Worth (A-B)	**32,185**	**30,444**	**30,305**	**23,505**	**19,487**

The accompanying significant accounting policies (Annexure III) and notes to the accounts (Annexure IV) form an integral part of this statement

Cholamandalam DBS Finance Limited

Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Represented By:					
Share Capital (Note 4 of Annexure IV)					
Equity Shares	3,801	3,801	3,801	2,536	1,693
Preference Shares		- -	1,000	2,300	3,300
Total Share Capital	3,801	3,801	4,801	4,836	4,993
Reserves and Surplus					
Share Premium Account	14,043	14,043	14,043	8,419	6,367
Capital Redemption Reserve	3,300	3,300	2,300	1,000	-
Statutory Reserve	5,401	4,780	4,075	3,393	2,751
Contingency Reserve	-	-	-	-	1,100
General Reserve	5,228	4,984	5,284	5,684	4,734
Balance in Profit and Loss Account	803	-47	117	361	-295
Total Reserves and Surplus	28,775	27,060	25,819	18,857	14,657
Miscellaneous Expenditure	-391	-417	-315	-188	-163
Net Worth	**32,185**	**30,444**	**30,305**	**23,505**	**19,487**

The accompanying significant accounting policies (Annexure III) and notes to the accounts (Annexure IV) form an integral part of this statement

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31,2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1 : Fixed Assets (Cost)					
Assets Given On Lease					
Plant & Machinery					
Gross Block	-	525	5,500	10,023	15,661
Accumulated Depreciation	-	518	5,381	8,989	13,159
Net Block	-	7	119	1,034	2,502
Office Equipment					
Gross Block	-	87	152	152	171
Accumulated Depreciation	-	87	117	86	75
Net Block	-	-	35	66	96
Vehicles					
Gross Block	37	55	271	619	1,151
Accumulated Depreciation	37	55	241	506	862
Net Block	-	-	30	113	289
Total Assets Given on Lease					
Gross Block	**37**	**667**	**5,923**	**10,794**	**16,983**
Accumulated Depreciation	**37**	**660**	**5,739**	**9,581**	**14,096**
Net Block (A)	**-**	**7**	**184**	**1,213**	**2,887**
Own Assets					
Land					
Gross Block	31	31	31	31	31
Accumulated Depreciation	-	-	-	-	-
Net Block	31	31	31	31	31
Buildings					
Gross Block	1,311	1,428	928	928	1,045
Accumulated Depreciation	234	203	308	262	225
Net Block	1,077	1,225	620	666	820
Plant & Machinery					
Gross Block	1,350	859	797	620	579
Accumulated Depreciation	671	510	431	341	271
Net Block	679	349	366	279	308
Office Equipment					
Gross Block	296	107	96	87	74
Accumulated Depreciation	84	48	43	34	30
Net Block	212	59	53	53	44
Furniture & Fixtures					
Gross Block	1,387	497	449	440	336
Accumulated Depreciation	398	195	247	227	176
Net Block	989	302	202	213	160
Vehicles					
Gross Block	128	92	100	97	92
Accumulated Depreciation	18	21	20	16	11
Net Block	110	71	80	81	81
Computer Software					
Gross Block	350	140	138	89	88
Accumulated Depreciation	154	87	70	53	36
Net Block	196	53	68	36	52
Total Own Assets					
Gross Block	**4,853**	**3,154**	**2,539**	**2,292**	**2,245**
Accumulated Depreciation	**1,559**	**1,064**	**1,119**	**933**	**749**
Net Block (B)	**3,294**	**2,090**	**1,420**	**1,359**	**1,496**
Capital Advance (C)	**70**	**117**	**2**	**26**	**-**
Total Fixed Assets (A) + (B) + (C)	**3,364**	**2,214**	**1,606**	**2,598**	**4,383**

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Assets and Liabilities

Note 2 : Investments

	As at March 31, 2007		March 31, 2006		March 31, 2005		March 31, 2004		March 31, 2003	
	Nos.	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*
A) CURRENT - NON TRADE - UNQUOTED										
Investment in Units of Rs 10 each										
Chola Liquid Fund (Cumulative - Dividend Plan)							-	-	8,849,401	10,00
Chola Liquid Institutional Plus - Cumulative	-	-	-	-	27,861,694	3,750	-	-	-	-
Chola Liquid Institutional Dividend Reinvestment Plan	-	-	1,994,256	200	-	-	-	-	-	-
TOTAL (A)		-		**200**		**3,750**		-		**10,00**
B) LONG TERM - NON TRADE - QUOTED										
a) In Equity Shares of Rs 10 each fully paid up in Bodies Corporate										
E I D Parry (I) Ltd	-	-	-	-	-	-	100	-	100	-
Parry Confectionery Ltd	-	-	-	-	-	-	161,383	238	161,383	238
Carborundum Universal Ltd	-	-	-	-	-	-	100	-	100	-
Tube Investments of India Ltd	-	-	-	-	-	-	100	-	100	-
Parry Agro Industries Ltd	-	-	-	-	169,317	201	169,317	201	169,317	201
Kartik Investments Trust Ltd	-	-	-	-	18,550	3	23,600	4	23,600	4
Coromandel Fertilisers Ltd	-	-	-	-	-	-	33	-	-	-
b) In Government Securities										
Government of India Stock :										
12.50% -2004 (Face Value Rs 100 lakhs)	-	-	-	-	-	-	-	-	-	109
8.07% -2017 (Face Value Rs 500 lakhs)	-	-	-	-	-	-	-	-	-	568
9.39% -2011 (Face Value Rs 500 lakhs)	-	-	-	-	-	-	-	-	-	593
7.55% -2010 (Face Value Rs 500 lakhs)	-	569	-	569	-	569	-	569	-	-
7.40% -2012 (Face Value Rs 400 lakhs)	-	460	-	460	-	460	-	460	-	-
6.65% -2009 (Face Value Rs 500 lakhs)	-	541	-	541	-	541	-	541	-	-
7.38% - 2015(Face Value Rs 150 lakhs)	-	153	-	153	-	-	-	-	-	-
14.00% -2006 (Face Value Rs 400 lakhs)	-	-	-	-	-	451	-	-	-	-
12.50%TamilNadu Loan-2004(Face Value Rs30 lakhs)	-	-	-	-	-	-	-	30	-	30
c) Others										
12% Tax-free Series IV Bonds in MSEB (Face value Rs 500 lakhs)	-	-	-	-	-	-	-	500	-	500
13.85% IRBI Bonds - 2006 (B Series) (Face value Rs 15 lakhs)	-	-	-	15	-	15	-	15	-	15
11.50 % MSRDC Bonds [Face Value-Rs125 lakhs (2003 - Rs 250 lakhs)]	-	-	-	-	-	-	-	156	-	312
16.00% Bonds in PSEB - 2004 (Face Value Rs 40 lakhs)	-	-	-	-	-	-	-	-	-	43
TOTAL (B)		**1,723**		**1,738**		**2,240**		**2,714**		**2,613**

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Assets & Liabilities

Note 2 : Investments (Contd…)

	As at									
	March 31, 2007		**March 31, 2006**		**March 31, 2005**		**March 31, 2004**		**March 31, 2003**	
	Nos.	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*	*Nos.*	*Rupees in lakhs*
C) LONG TERM-NON TRADE - UNQUOTED										
a) In Subsidiaries										
DBS Cholamandalam Asset Management Ltd.	35,000,000	3,760	14,999,993	1,760	14,890,000	1,749	9,890,000	1,249	9,890,000	1,249
Cholamandalam Securities Ltd.	10,000,014	1,000	10,000,000	1,000	6,000,000	600	3,000,000	300	3,000,000	300
DBS Cholamandalam Distribution Ltd.	4,900,000	490	4,899,993	490	4,899,993	490	4,899,993	490	4,000,000	400
DBS Cholamandalam Trustees Ltd.	50,000	5	49,993	5	49,450	5	49,450	5	49,450	5
Redeemable Cum. Preference Shares, fully paid up in :										
DBS Cholamandalam Asset Management Ltd.										
9% Non-Convertible of Rs 100 each	-	-	250,000	251	247,250	248	247,250	248	247,250	248
9% Optionally Convertible of Rs 100 each	-	-	500,000	500	500,000	500	500,000	500	500,000	500
Cholamandalam Securities Ltd.										
9.75% Non Convertible of Rs 10 each fully paid up							3,000,000	301	3,000,000	301
b) In Other Bodies Corporate										
Equity Shares of Rs 10 each fully paid up in :										
Cholamandalam MS General Insurance Co., Ltd.	-	-	-	-	15,500,000	1,550	15,500,000	1,550	15,500,000	1,550
Cholamandalam Factoring Ltd.	-	-	-	-	259,800	33	259,800	33	259,800	33
Cholamandalam MS Risk Services Ltd.	-	-	-	-	989,979	99	489,979	49	489,979	49
TAIB Capital Corporation Ltd.	-	-	-	-	-	-	245,000	25	245,000	25
Amaravathi Sri Venkatesa Paper Mills Ltd.	293,272	129	293,272	129	363,272	160	363,272	160	363,272	160
Saraswat Co-operative Bank Ltd.	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-
Equity Shares of Rs 25 each fully paid up in :										
The Shamrao Vithal Co-operative Bank Ltd.	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-
c) Others										
Investment in Units of Rs 10 each in :										
Series AST Pass Through Certificates, Asset Securitisation Trust Sep - 2004 'P' Series	10	209	10	843	-	-				
Series A7 Pass Through Certificates, Asset Securitisation Trust, December IV 2004			-	-	15	1,530				
Series AST Pass Through Certificates, Asset Securitisation Trust March 2005 Series	20	641								
Chola Opportunities Fund (Regular)							3,532,726	306	13,832,726	1,198
Chola Triple Ace - Bonus Units Plan							-	-	5,894,923	666
Chola Gilt PF Cumulative Plan			-	-	9,935	1	9,935	1	-	-
Chola Gilt PF Dividend Plan			-	-	9,935	1	9,935	1	-	-
Abhishek Co-operative Housing Society Ltd.	5	-	5	-	5	-				
Shares of Rs 50 each (Rs 250 only)							5	-	5	-
14.00% Cumulative Redeemable Preference Shares of Rs 10 each in GSL India Ltd.							1,250,000	125	1,250,000	125
Chennai Willingdon Corporate Foundation	5	-	5	-	5	-				
Shares of Rs 10 each (Rs.50 only)							5	-	5	-
Total (C)		**6,234**		**4,978**		**6,966**		**5,343**		**6,809**
Total (A+B+C)		**7,957**		**6,916**		**12,956**		**8,057**		**10,422**
Amortisation of Premium onAcquisition of Govt Securities		81		54		81		314		695
Provision for Diminution in Value of Investment										
		7,876		**6,862**		**12,875**		**7,743**		**9,727**
Notes:										
Market Value of Quoted Investments		1,510		1,562		3,142		3,042		2,332

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 3 : Receivables Under Financing Activity					
(A) Secured (Note (a), (b) and (e) below)					
Hypothecation/Hire Purchase of Automobile Assets	157,926	147,219	118,327	113,068	98,131
Loans against Securities	26,982	16,600	16,107	22,319	14,527
Loans against Immovable Property	12,320	1,626	1,123	417	730
Other Loans	53,042	16,182	5,289	374	456
Instalments &Other Dues from Borrowers (Note(c)below)	5,453	5,130	5,299	4,919	4,347
Total (A)	255,723	186,757	146,145	141,097	118,191
(B) Unsecured (Note (b) below)					
Consumer Loans	67,882	1,237	6	38	108
Other Loans	3,049	1,461	1,290	439	538
Bills Purchased and Discounted	-	100	134	225	263
Instalments and Other Dues from Borrowers (Note (d) below)	274	-	107	118	66
Total (B)	71,205	2,798	1,537	820	975
Total (A+B)	**326,928**	**189,555**	**147,682**	**141,917**	**119,166**

Notes:

(a) 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.

(b) Refer Note 8 below for Provision for Sub-standard and Doubtful Receivables under Financing Activity. No adjustment to the above classification of Secured / Unsecured has been made on account of such provisioning.

(c) Secured Instalments and Other Dues from Borrowers as at March 31, 2007 includes an amount of Rs. 1,348 lacs outstanding for more than 6 months.

(d) Unsecured Instalments and Other Dues from Borrowers as at March 31, 2007 includes an amount of Rs. 26 lacs outstanding for more than 6 months.

(e) Receivable under Financing Activity include:

A. Subsidiaries					
- DBS Cholamandalam Asset Management Limited	-	3	3	-	-

Note 4 : Cash And Bank Balances					
Cash and Cheques on Hand	895	197	238	138	-
Balances with Scheduled Banks on					
- Current Accounts	3,950	2,323	1,174	795	436
- Unpaid Dividend Accounts	49	52	56	427	38
- Deposit Accounts:					
- Free of Lien	38	629	829	1,005	1,000
- Under Lien (Note (a) below)	22,230	3,181	1,874	749	666
	27,162	6,382	4,171	3,114	2,140
Note:					
(a) Deposit Accounts Under Lien includes:					
- Amounts kept in an Escrow Account with respect to public deposits	7,688	-	-	-	-
i. Amounts kept as collateral towards assets de-recognised (Note 5 of Annexure IV).	14,542	3,181	1,874	749	666

Note 5 : Other Current Assets					
Unsecured - Considered Good					
Repossessed Automobile Assets (At lower of cost or estimated realisable value)	1,290	1,169	1,112	1,829	1,277
Interest and Other Income Accrued but Not Due					
- on Loans to Borrowers	4,357	1,335	1,383	1,573	1,390
- on Deposits and Investments	624	86	96	120	111
Other Accruals and Receivables	80	52	155	12	10
	6,351	2,642	2,746	3,534	2,788

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 6 : Other Loans And Advances (Note(a)below)					
Unsecured - Considered Good					
Inter Corporate Deposits	605	357	1,300	871	1,799
Advances Recoverable in Cash or in Kind or for Value to be Received (Note (b) below)	573	793	956	764	759
Advance Payment of Tax and Tax Deducted at Source (Net of Provision for Taxation)	520	265	285	186	-
	1,698	**1,415**	**2,541**	**1,821**	**2,558**
Notes:					
(a) Other Loans And Advances include:					
A. Subsidiaries					
- DBS Cholamandalam Asset Management Limited	17	5	19	1	94
- Cholamandalam Securities Limited	6	-	23	-	-
- DBS Cholamandalam Distribution Limited	94	102	206	3	116
B. Promoter Group Companies					
- Cholamandalam Factoring Limited	79	93	155	169	241
- Cholamandalam MS Risk Services Limited	-	-	3	8	-
- Ambadi Enterprises Ltd	-	-	-	-	225
- Cholamandalam MS General Insurance Company	3	-	-	-	6
- Breeze Distribution Services Private Limited	-	-	12	-	77
- Kartik Investments Trust Limited	-	14	430	-	387
- Southern Energy Development Corporation Limited	-	-	-	-	200
- Laserwords Private Limited	-	-	-	-	400
- The Coromandel Engineering Co. Limited	250	250	200	-	
- Parry Confectionery Limited	-	-	-	-	200
- Parry Enterprises India Limited	-	-	400	-	-
C. Key Management Personnel - M Anandan	-	-	-	9	10
D. Relative of Key Management Personnel					
- Mrs. Padma Anandan	-	3	3	3	-
(b) Includes share issue expenses, pending allotment of shares. This has been adjusted against Securities Premium in the year ended March 31, 2004	-	-	-	-	67

Note 7 : Current Liabilities (Note (a) below)					
Sundry Creditors					
Advances From Customers / Others	2,160	611	574	1,045	1,015
Unclaimed Dividend	2,325	1,387	1,338	2,395	2,618
Interest Accrued But Not Due On Loans / Other Deposits	49	52	56	427	38
Other Liabilities	6,056	1,705	1,967	2,735	3,067
	5,337	2,279	1,559	1,577	1,318
	15,927	6,034	5,494	8,179	8,056
Notes:					
(a) Current Liabilities include:					
A. Subsidiaries					
- Cholamandalam Securities Limited					
- DBS Cholamandalam Distribution Limited	-	-	-	1	15
B. Companies holding Substantial Interest in Voting Power	-	1	1	-	-
- DBS Bank Limited	30	-	-	-	-
(b) With respect to unpaid matured deposits due and outstanding to be credited to the IEPF, refer Note 1 of Annexure VII					

Note 8 : Provisions					
Provision for Sub-Standard and Doubtful Receivables under Financing Activity	1,298	1,115	469	464	361
Provision for Credit Enhancements and Servicing Cost on Assets De-Recognised	474	125	241	168	121
Provision for Leave Encashment	209	129	143	89	100
Provision for Income Tax	-	-	-	-	32
Provision for Contested Service Tax	69	69	69	-	-
Proposed Dividend	1,518	1,897	1,897	-	-
Distribution Tax on Proposed Dividend	258	266	266	-	-
	3,826	**3,601**	**3,085**	**721**	614

Significant Accounting Policies – Company (Contd…)

1. Accounting Convention

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

The Company follows the applicable prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India (RBI). Also Refer Notes 2(i) and 14 of Annexure IV.

2. Use of Estimates

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

3. Revenue Recognition

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

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

In respect of receivables securitised from February 1, 2006, gains / (losses) arising thereon are amortised over the life of the related receivables. Also refer Notes 1 (i) and 3 of Annexure IV.

Lease Rentals are accrued over the period of Lease.

4. Fixed Assets and Depreciation

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

Depreciation on Fixed Assets is provided as follows:

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

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

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

5. Investments

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

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

6. Receivables under Financing Activity

All loan exposures to borrowers with instalment structure are stated at the full agreement value after netting off
(a) Unearned income
(b) Instalments appropriated up to the year-end

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

7. Retirement and Other Benefits

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

Also refer Note 2(ii) of Annexure IV.

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.

Gratuity: 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 by LIC using the Projected Unit Credit method.

Also see Note 2(iii) of Annexure IV.

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

Also see Note 1(iv) of Annexure IV.

8. Foreign Currency Transactions

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

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The

premium or discount arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such contract is recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

Also refer Note 1 (iii) of Annexure IV.

9. Derivative Transactions

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

10. Taxes on Income

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

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

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

11. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

12. Miscellaneous Expenditure

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

1. Adjustments to the Financial Statements

(i) Recognition of Gain on Securitisation

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

With effect from February 1, 2006, consequent to the issue of the 'Guidelines on Securitisation of Standard Assets' vide circular no. DBOD. No B.P.BC. 60/21.04.048/2005-06 dated February 1, 2006 by the RBI, the Company has changed its accounting policy relating to recognition of profit on securitisation transactions to comply with the provisions of the guidelines. Accordingly, gain arising on securitisation transactions entered into on and after February 1, 2006 is amortised over the life of the underlying contracts.

Consequent to the aforesaid change in accounting policy, the securitisation gains recognized upfront during the years ended March 31, 2006, 2005, 2004 and 2003 have now been amortised over the tenor of the underlying contracts. The gains have been amortised based on Management's estimates, since, in the opinion of the Management, the precise quantification of the year-wise amounts is not practicable in view of the numerous deals and the large number of pre-payments. In the opinion of the Management, the difference, if any, is not expected to be material.

(ii) Business Origination Outsourcing

Upto the financial year ended March 31, 2003, Business Origination Outsourcing Costs were being amortised over the life of the Hypothecation / Hire Purchase Agreements to which such costs pertained to. During the financial year ended March 31, 2004, the accounting policy was changed to charge off the entire Business Origination Outsourcing Costs in the year in which such expenditure was incurred. However, the costs incurred upto the financial year ended March 31, 2003 were still being amortised over the balance life of the Hypothecation / Hire Purchase Agreements. The profits of all the five financial years have been restated to ensure consistency in the treatment of Business Origination Outsourcing Costs.

The opening balance of unamortized Business Origination Outsourcing cost as at April 1, 2002 forming part of Miscellaneous Expenditure not amortised has been charged to the General Reserve as at April 1, 2002

(iii) Foreign Currency Transactions

Foreign Currency Borrowings covered by forward contracts were stated at contracted rates till the financial year ended March 31, 2005. From the financial year ended March 31, 2006, the Company changed its policy to restate all foreign currency monetary items as at the Balance Sheet date at the closing exchange rates in line with Accounting Standard 11 (Revised) issued by the Institute of Chartered Accountants of India. This change has been applied for the years ended March 31, 2003 to years ended March 31, 2005 to ensure consistency, resulting in restatement of the assets and liabilities for these years. However there is no impact in the profits and losses of these years.

(iv) Employee Benefits

Effective April 1, 2006, the Company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Application of this policy for the previous years has resulted in restatement of profits for all the five years except with respect to Provident Fund and Gratuity as explained in Note 2 (ii) and 2(iii) of Annexure IV.

v) Prior Period Items

Prior period adjustments comprise of material incomes, expenses and income tax pertaining to previous years which have been adjusted in the years to which they relate.

(vi) Tax Effect of Adjustments

Tax effect of adjustments comprises of the tax impact of the restatement adjustments provided at the rates applicable in the respective years.

2. Non-Adjustments to the Financial Statements - Changes in Accounting Policies

(i) Prudential Norms

The Reserve Bank of India (RBI) has issued certain directives on income recognition, asset classification, provisioning and other related maters. The Company has given effect to these changes in the relevant years so as to be in compliance with the RBI directives. Adjustments to profits, assets and liabilities of the Company, consequent to compliance with the aforesaid directions, have not been carried out retrospectively, as it is not practicable.

(ii) Contributions to Provident Fund

Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, the Company had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Accounts for the year ended March 31, 2007 by the Board of Directors on April 25, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements in this regard due to non-availability of relevant data for each of the years.

(iii) Gratuity

During the year ended March 31, 2007, the Company had accounted for its Gratuity liability based on the actuarial valuation determined by Life Insurance Corporation of India based on Projected Unit Credit method consequent to early adoption of AS 15 on Employee Benefits (revised 2005) as indicated above. However, retrospective adjustments and disclosures for previous financial years have not been done due to non availability of relevant data for each of these years.

3. Non Disclosures

Except for the year ended March 31, 2007, the Company has not presented the disclosures mandated in the 'Guidelines on Securitisation of Standard Assets' issued by RBI vide circular no. DBOD. No B.P.BC. 60/21.04.048/2005-06 dated February 1, 2006 pertaining to Assets Securitised in the prior financial years as the required information are not readily available.

4. Share Capital

(i) 800,000 Equity Shares were allotted in 1990 as fully paid up by way of Bonus Shares by Capitalisation of General Reserve.

(ii) During the year ended March 31, 2002, the Company forfeited 130,900 Equity Shares of Rs.10 each in respect of which allotment money remained unpaid and the amount received on such shares of Rs. 7 lakhs was transferred to the Forfeited Shares Account.

(iii) Allotment of 8,430,808 Equity Shares on the offer of 8,434,113 Equity Shares of Rs.10 each at a premium of Rs. 25 per share on rights issue in March 2003 to the existing equity shareholders of the Company in the ratio of one Equity Share for every two Equity Shares held was made on May 14, 2003.

(iv) Allotment of 12,647,443 Equity Shares on the rights issue offer of 12,649,517 Equity Shares of Rs.10 each at a premium of Rs. 45 per share during March 2004 to the existing equity shareholders of the Company in the ratio of one Equity Share for every two Equity Shares held was made on May 18, 2004.

(v) During the year ended March 31, 2006, the balance 1,000,000 Redeemable Cumulative Preference Shares of Rs. 100 each were redeemed at par as per the terms of redemption.

(vi) Preference Shares movement

	Opening		Addition		Redemption		Closing	
Year	No	Rs. In lakhs	No	Rs. in lakhs	No	Rs. in lakhs	No	Rs. in lakhs
2002-03	3300000	3,300	-	-	-	-	3300000	3,300
2003-04	3300000	3,300	-	-	1000000	1,000	2300000	2,300
2004-05	2300000	2,300	-	-	1300000	1,300	1000000	1,000
2005-06	1000000	1,000	-	-	1000000	1,000	-	-
2006-07	-	-	-	-	-	-	-	-

5. Assets De-recognized

Rs. in lakhs

Particulars	2007	2006	2005	2004	2003
As at March 31,					
Assets De-recognised on Securitisation / Assignment of Receivables	74,349	28,816	31,527	17,926	18,545
Assets Subordinated to meet Recourse Obligations	176	1,131	2,650	2,137	1,923
Bank / Other Deposits provided as Collateral	14,542	3,181	1,874	749	666
Year Ended March 31,					
Gains on Assignment of Receivables	3,907	306	183	-	66
Amortised Gain on Securitisation	521	710	658	495	172

Note:

Details of Assets De-recognised by way of Securitisation post February 1, 2006 during the financial year ended March 31, 2007 and included above: (refer Note 3(ii) above)

Particulars	2006-07
Total Number of Assets Securitised	6,586
	(Rupees in lakhs)
Book Value of Assets Securitised	15,484
Sale Consideration Received	15,704
Gain / (Loss) on Securitisation to be Amortised over the Life of the Securities	220
Bank Deposits provided as Collateral for:	
- Credit Enhancements	1,393
- Liquidity Support	118

6. Capital Commitments

Rs. in lakhs

Particulars	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)	45	221	7	99	3

7. Contingent Liabilities

(a) Counter bank guarantees outstanding:

Rs. in lakhs

As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
18	55	52	62	-

(b) Contested Claims not provided for:

Rs. in lakhs

Particulars	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
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.	58	253	-	-	-
Income Tax matters where the Company is in appeal.	94	-	-	-	-
Sales Tax matters pending before Appellate Authorities in respect of which the Company is in appeal.	450	411	-	-	-
Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable)	225	225	-	-	-

Notes:

1. No provision for Sales tax payable, if any, on account of amendments arising out of the Supreme Court Judgement on "Taxation of Leases" has been made in the accounts for the year ended March 31, 2003 since the same is recoverable from the parties concerned.

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

8. Extraordinary Items

The Extraordinary Items amounting to Rs. 153 lakhs for the year ended March 31, 2004 comprises:

Rs. in lakhs

Particulars	**Year Ended March 31, 2004**
Premium received against renunciation of rights shares entitlement in Cholamandalam MS General Insurance Company Limited. There was no tax impact for the year, as the said amount was adjusted against the short-term capital loss.	473
Provision made for change in retiral benefits scheme.	-320
Total	**153**

9. AS – 15 Disclosure

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

Details of Actuarial Valuation as at March 31, 2007

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

Notes:

1. The expected return on plan assets is as furnished by LIC.
2. Also refer Note 2(iii) above

10. Segment Reporting

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

11. Deferred Tax Asset / (Liability)

Rs. in lakhs

Particulars	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Deferred Tax Asset					
a) Provision for Sub-standard and Doubtful Receivables under Financing Activity	437 160	375 42	158 81	166 60	130 43
b) Provision for Credit Enhancements and Servicing Costs on Assets De-recognised					
c) Provision for Repossessed Stock	84	54	78	-	-
d) Others	188	377	393	458	369
Total (A)	**869**	**848**	**710**	**684**	**542**
Deferred Tax Liability					
a) Difference between Book and Tax Written Down Values	295	74	25	96	248
b) Unamortised Miscellaneous Expenditure	132	140	105	63	58
Total (B)	**427**	**214**	**130**	**159**	**306**
Deferred Tax Asset / (Liability) – Net (A-B)	**442**	**634**	**580**	**525**	**236**

12. Interests in Joint Venture – Cholamandalam MS Risk Services Limited (JCE)

The Company's proportionate share in the aforesaid jointly controlled entity's assets, liabilities, income and expenditure is as follows:

Rs. in lakhs

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage Shareholding	-	- @	49.5% *	49%	49%
Assets as at Year End	-	-	108	54	46
Liabilities as at Year End	-	-	5	9	1
Income for the Period/Year	-	57	45	22	13
Expenditure for the Period/Year	-	45	35	19	17

* The shareholding increased from 49% to 49.50% during the year

@ The Company's ownership interest of 49.50% in the JCE was divested during the year.

13. Movement in Provisions

Rs. in lakhs

Particulars	As at 31.03.2006	Additional Provision	Utilisation/ Reversal	As at 31.03.2007
Provision for Sub-standard and Doubtful Receivables under Financing Activity	1,115	649	466	1,298
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	125	498	149	474
Provision for Contested Service Tax	69	-	-	69

Rs. in lakhs

Particulars	As at 31.03.2005	Additional Provision	Utilisation/ Reversal	As at 31.03.2006
Provision for Sub-standard and Doubtful Receivables under Financing Activity	469	736	90	1,115
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	241	120	236	125
Provision for Contested Service Tax	69	-	-	69

Rs. in lakhs

Particulars	As at 31.03.2004	Additional Provision	Utilisation/ Reversal	As at 31.03.2005
Provision for Sub-standard and Doubtful Receivables under Financing Activity	464	693	688	469
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	168	245	172	241
Provision for Contested Service Tax	-	69	-	69

Rs. in lakhs

Particulars	As at 31.03.2003	Additional Provision	Utilisation/ Reversal	As at 31.03.2004
Provision for Sub-standard and Doubtful Receivables under Financing Activity	361	855	752	464
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	121	209	162	168
Provision for Contested Service Tax	-	-	-	-

Rs. in lakhs

Particulars	As at 31.03.2002	Additional Provision	Utilisation/ Reversal	As at 31.03.2003
Provision for Sub-standard and Doubtful Receivables under Financing Activity	239	846	724	361
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	-	121	-	121
Provision for Contested Service Tax	-	-	-	-

14. NBFC-ND

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

15. Name Change

The name of the Company has been changed from Cholamandalam Investment and Finance Company Limited to Cholamandalam DBS Finance Limited effective April 12, 2006, after obtaining necessary regulators approvals.

Annexure V

Cholamandalam DBS Finance Limited
Statement of Restated Cash Flows

Rs. in lakhs

	For the Years Ended									
	March 31, 2007		**March31,2006**		**March 31,2005**		**March 31,2004**		**March 31,2003**	
Cash Flow from Operating Activities										
Net Profit Before Tax as per Audited Accounts		**4,727**		**4,604**		**5,156**		**4,605**		**4,555**
Restatement Adjustments affecting Cash Flow:										
Upfront Gain on Securitisation	468		136		-159		-157		-438	
Business Origination Outsourcing	-		55		541		1,069		-584	
Employee Benefits	-		-57		-52		-60		7	
Prior Period Items	-		-		-		95		-95	
Restated Net Profit Before Tax		**5,195**		**4,738**		**5,486**		**5,552**		**3,445**
Adjustments for :-										
Depreciation	560		417		934		1,828		3,929	
Provision for Bad and Doubtful Receivables under Financing Activity	184		645		6		103		122	
Provision for Credit Enhancement&Servicing Costs on Assets Derecognised	349		-115		73		47		121	
Financing Charges	18,893		9,942		8,922		9,065		10,444	
Provision for Leave Encashment (Net)	80		-14		54		-11		27	
Profit on Sale of Fixed Assets (Net)	-168		-119		11		16		20	
Loss on Repossessed Stock (Net)	1,470		921		1,687		1,576		312	
Profit on Sale of Investments (Net)	-5		-1,505		-387		-317		-36	
Provision for Contested Service Tax	-		-		69		-		-	
Amortisation of Premium on Acquisition of Government Securities	27		7		51		-		587	
Interest and Dividend from Investing Activities	-1,049		-476		-348		-310		-371	
Extraordinary Item - change in retiral benefits scheme	-		-		-		-320		-	
		20,341		9,703		11,072		11,677		15,155
Operating Profit Before Working Capital Changes		25,536		14,441		16,558		17,229		18,600
Adjustment for :-										
Increase in Receivables under Financing Activity	-235,077		-65,159		-36,211		-40,977		-47,389	
Decrease in Leased Assets	-		-		320		51		736	
Increase in Other Current Assets	-22,050		-1,138		-910		-260		-504	
(Increase)/Decrease in Other Loans and Advances	-28		1,106		-621		924		662	
Increase / (Decrease) in Current Liabilities and Provisions	5,547		806		-1,547		-27		1,628	
Assets Securitised and Assets Assigned bilaterally with Banks	96,111		22,498		29,477		16,095		23,857	
		-155,497		-41,887		-9,492		-24,194		-21,010
Cash (Used in) / Generated from Operations		-129,961		-27,446		7,066		-6,965		-2,410
Financing Charges	-14,522		-10,307		-9,811		-9,420		-10,018	
Direct Taxes Paid	-1,768		-1,310		-2,024		-2,299		-2,346	
		-16,290		-11,617		-11,835		-11,719		-12,364
Net Cash Used in Operating Activities (A)		***-146,251***		***-39,063***		***-4,769***		***-18,684***		***-14,774***
Cash Flow from Investing Activities										
Purchase of Fixed Assets	-1,842		-1,267		-284		-221		-289	
Sale of Fixed Assets	300		360		11		112		71	
Investment in Subsidiary Companies	-2,000		-414							
Purchase of Other Investments	-635		-164,321		-252,477		-177,258		-109,780	
Sale of Investment in Joint Venture and Associate Company	749		132							
Sale/ Redemption of Other Investments	649		168,564		251,429		179,559		107,159	
Interest Received from Investing Activities	951		345		324		285		405	
Dividend Received from Investing Activities	104		134		56		2		-	
Premium Received against Renunciation of Rights Shares							473			
Net Cash (Used in) / From Investing Activities (B)		***-1,724***		***3,533***		***-941***		***2,952***		***-2,434***
Cash Flow from Financing Activities										
Long Term										
Increase in Share Capital and Share Premium	-		-		6,889		2,894		-	
Decrease in Preference Share Capital	-		-1,000		-1,300		-1,000		3,300	
Increase in Debentures	91,256		11,100		2,000		-3,500		8,350	
(Decrease) / Increase in Term Loans from Banks and Others	5,089		-2,644		9,997		4,811		1,500	
Decrease in Fixed Deposits	-5,030		-4,154		-2,966		-892		175	
Short Term										
Increase in Bank Borrowings	14,997		14,463		-7,197		-1,061		-3,460	
Increase in Debentures	43,000		17,000		-11,000		-4,700		8,300	
Increase in Other Borrowings	2,952		545		13,630		21,346		178	
Dividends Paid (Including Distribution Tax)	-2,167		-2,226		-485		-1,281		-1,802	
Net Cash From Financing Activities (C)		***150,097***		***33,084***		***9,568***		***16,617***		***16,541***
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)		**2,122**		**-2,446**		**3,858**		**885**		**-667**
Cash and Cash Equivalents At the Beginning of the Year		2,772		5,218		1,360		474		1,141
Cash and Cash Equivalents At the End of the Year		4,894		2,772		5,218		1,360		474

Cash and Cash Equivalents					
At the End of the Year as per Balance Sheet	27,162	6,382	4,171	3,114	2,140
Add: Current Investments	-	200	3,750	-	-
Less: Bank Deposits held for More than Three Months	38	629	829	1,005	1,000
Less: Bank Deposits under Lien	22,230	3,181	1,874	749	666
	4,894	2,772	5,218	1,360	474

Cholamandalam DBS Finance Limited
Statement of Secured Loans

Annexure VI

Rs in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31,2003**
Redeemable Non-Convertible Debentures	124,356	48,100	37,000	35,000	38,500
Working Capital Demand Loans, Foreign Currency Loans and Cash	45,448	30,451	15,988	23,185	24,246
Credit From Banks	-	-	-	3,849	3,000
Term Loans From Financial Institutions	22,253	17,164	19,808	5,962	2,000
Term Loans From Banks And Others	**192,057**	**95,715**	**72,796**	**67,996**	**67,746**

Details, Terms and Conditions of Secured Loans (Note 1(iii) of Annexure IV)

A) Redeemable Non Convertible Debentures

Secured on a ***pari-passu*** basis by way of specific charge on assets under hypothecation / hire purchase assets and certain immovable property

Rs. in lakhs

Sl No.	**Name of the Lender**	**Amount Outstanding as of March 31, 2007**	**Repayment Schedule**		**Put/ Call Option**		**Interest Rate**
			Financial Year	**Amount**	**Financial Year**	**Amount**	
1	CitiBank	5,000	2009-10	5,000	NA	NA	8.65%
2	Standard Chartered Bank	5,000	2009-10	5,000	NA	NA	9.10%
3	ICICI Securities Limited	4,000	2008-09	4,000	2007-08 2,500		1500 @ 12.65% minus INBMK 2500 @ INBMK+45bps
4	HSBC Limited	10,000	2009-10	10,000	NA	NA	9.10%
5	Various Mutual Funds	85,800	2007-08 2008-09 2009-10	15,100 51,200 19,500	2007-08	31,500	3100 @ 7.20% - 7.30% 18500 @ 8.40% - 9.00% 9300 @ 9.10% - 9.35% 4500 @ 12.15% minus NSE MIBOR 24000 @ INBMK plus 25 bps - 130 bps 26400 @ MIBOR plus 75 bps - 218 bps
6	Various Insurance Companies	15,000	2008-09 2009-10	2,500 12,500	2007-08	5,000	9000 @ 8.50% to 9.35% 6000 @ M+218 bps
	Sub-Total	**124,800**		**124,800**		**39,000**	
	Less: Unamortised Discount	-444					
		124,356					

B) Working Capital Demand Loans, Foreign Currency Loans and Cash Credit From Banks

Secured by hypothecation of relevant fixed assets let on lease and other assets covered by hypothecation / hire purchase agreements together with relevant book debts

Rs in lakhs

Sl No.	Name of the Lender	**Amount Outstanding as of March 31, 2007**	**Repayment Schedule**		**Put/ Call Option**		**Interest Rate**
			Financial Year	Amount	**Financial Year**	**Amount**	
1	Various Banks - Work. Capital Demand Loan	27,423	2007-08	27,423	NA	NA	6.59% to 10%
2	Various Banks - Cash Credits	18,025	2007-08	18,025	NA	NA	9% to 13%
		45,448		**45,448**			

C) Term Loans from Banks & others
Secured by way of specific charge on assets under hypothecation/ hire purchase assets

Rs in lakhs

Sl No.	Name of the Lender	Amount Outstanding as of March 31, 2007	Repayment Schedule		Put/ Call Option		Interest Rate
			Financial Year	Amount	Financial Year	Amount	
1	Various Banks	21,128	2007-08 2008-09 2009-10	2,500 14,314 4,314	NA	NA	6.08% to 10.85%
2	GE Capital	1,125	2007-08	1,125	NA	NA	7%
		22,253		22,253			

Cholamandalam DBS Finance Limited
Statement of Unsecured Loans

Annexure VII

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31 2003**
Medium Term Non-Convertible Debentures - SubDebt	15,000	-	-	-	-
Short Term Non-Convertible Debentures					
Short Term Loans And Inter-Corporate Deposits (Including Foreign Currency Laon)	60,000	17,000	-	11,000	15,700
	35,395	15,260	20,175	9,559	130
Commercial Paper	12,456	29,639	24,179	21,165	9,248
Fixed Deposits	6,975	12,011	16,167	19,127	20,017
	129,826	**73,910**	**60,521**	**60,851**	**45,095**

Details, Terms And Conditions of Unsecured Loans (Also refer Note 1(iii) of Annexure IV)
A) Medium Term Non-Convertible Debentures - Subordinated Debt

Rs.in Lakhs

Sl No.	**Name of the Lender**	**Amount Outstanding as of March 31, 2007**	**Repayment Schedule**		**Interest Rate**
			Financial Year	**Amount**	
1	HDFC Standard Life Insurance Company Limited	1,500	2012-13	1,500	12.00%
2	AK Capital Services Limited	990	2012-13	990	10.50%
3	HDFC Limited	1,000	2012-13	1,000	12.00%
4	Provident / Gratuity Funds	510	2012-13	510	10.50%
5	Various Banks	11,000	2012-13	11,000	9.35% - 12.00%
		15,000		**15,000**	

Note: The above includes loans from promoter / promoter group companies amounting to Rs. 1,100 lakhs.

Rs.in Lakhs

B) Short Term Non Convertible Debentures

Sl No.	**Name of the Lender**	**Amount Outstanding as of March 31, 2007**	**Repayment Schedule**		Interest Rate
			Financial Year	**Amount**	
1	Prudential Life Ins Co., Ltd.	5,000	2007-08	5,000	MIBOR + 200 bps
2	Infrastructure Devl.Fin CoLtd.	15,000	2007-08	15,000	MIBOR + 0 bps
3	Various Mutual Funds	40,000	2007-08	40,000	2500 @ 9.75% 22500@ MIBOR+0bps 5000@MIBOR+200bps 10000@MIBOR+375bps
		60,000		**60,000**	

Note: The above debentures are having a daily Put/Call option (T+1)

C) Short Term Loans and Inter-Corporate Deposits (Including Foreign Currency Loans) ***Rs.in Lakhs***

Sl No.	**Name of the Lender**	**Amount Outstanding as of March 31, 2007**	**Repayment Schedule**		**Interest Rate**
			Financial Year	**Amount**	
1	Various Banks	35,395	2007-08	35,395	8.20%
		35,395		**35,395**	

D) Commercial Paper

Rs.in Lakhs

Sl No.	**Name of the Lender**	**Amount Outstanding as of March 31, 2007**	**Repayment Schedule**		**Interest Rate**
			Financial Year	**Amount**	
1	DSP Merrill lynch	12,500	2007-08	12,500	7.00% to 12.50%
	Sub - Total	12,500		12,500	
	Less: Unamortised Discount	**-44**			
		12,456			

Cholamandalam DBS Finance Limited

Statement of Unsecured Loans

E) Public Deposits (including Interest Accrued & Due on Matured / Unclaimed Public Deposits)

Rs.in lakhs

Sl No.	Name of the Lender	Amount Outstanding as of March 31, 2007	Repayment Schedule		Interest Rate
			Financial Year	Amount	
1	Public	6,975	2007-08 2008-09 2009-10	4,131 2,138 706	5.97% to 7.71% Compounded Monthly
		6,975		**6,975**	

Notes:

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

2. Pursuant to the Company obtaining a fresh Certificate of Registration dated December 11, 2006 from the Reserve Bank of India (RBI) for carrying on the business of Non-Banking Financial Institution without accepting public deposits, consequent to its decision to exit from deposit accepting activities effective November 01, 2006, the Company has a total deposit of Rs 7,687.74 lakhs as at March 31, 2007 in an Escrow Account, as directed by the RBI. Refer Note 4 of Annexure II

3. Repayment Schedule of Fixed Deposits is as indicated above. However, option for preclosure is available as per RBI - NBFC regualtions.

Cholamandalam DBS Finance Limited
Statement of Related Party Transactions

Annexure VIII

As per the Accounting Standard 18 on Related Party Disclosure (AS 18) issued by the Institute of Chartered Accountants of India, the related parties, as identified by the Management are as follows:

List of Related Parties:

- **Companies holding Substantial Interest in Voting Power** : Tube Investments of India Limited and DBS Bank Limited, Singapore (from January 3, 2006)
- **Subsidiaries**: DBS Cholamandalam Asset Management Limited, Cholamandalam Securities Limited, DBS Cholamandalam Distribution Limited, and DBS Cholamandalam Trustees Limited
- **Associate** : Cholamandalam Factoring Limited (upto June 30, 2005)
- **Joint Venture** : Cholamandalam MS Risk Services Limited (upto January 3, 2006)
- **Key Management Person (KMP)**: Mr. Atul Pande (from April 1, 2006)
  Mr. M Anandan (upto March 31, 2006)
  Mr.Partho Datta (upto March 31,2004)

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Dividend Receipts	Tube Investments of India Limited	-	-	-	-	-
	Cholamandalam Securities Limited	100	125	51	-	-
	Cholamandalam Factoring Limited	NA		3	2	-
Dividend Payments	Tube Investments of India Limited	587	926	-	615	745
	DBS Bank Limited	730	-	NA	NA	NA
	Key Management Person	-	2	-	2	1
Interest Receipts	DBS Cholamandalam Asset Management Limited	-	-	-	-	-
	Cholamandalam Securities Limited		11	4	2	3
	DBS Cholamandalam Distribution Limited	4	17	10	3	5
	Cholamandalam Factoring Limited	NA	2	11	18	-
	Key Management Person		-	-	-	-
Interest Payments	Cholamandalam Securities Limited	-	-	-	1	4
Rent (including hiring) Receipts	Cholamandalam Securities Limited	23	4	4	11	-
	DBS Cholamandalam Distribution Limited	20	10	5	14	17
	DBS Cholamandalam Asset Management Limited	51	-	-		1
	Cholamandalam MS Risk Services Limited	NA	-	-	-	1
Rent Payments	Tube Investments of India Limited	-	-	-	18	22
	Relative of Key Management Person *	-	4	4	3	3
	DBS Cholamandalam Asset Management Limited	-	-	-	1	8
Rent deposit	Relative of Key Management Person *	-	-	-	3	-
Receipt of Lease Rentals	DBS Cholamandalam Distribution Limited	-	1	2	12	12
Payments for Services Rendered	Cholamandalam Securities Limited	11	11	7	2	60
Receipts for Services Rendered	DBS Cholamandalam Distribution Limited	3	10	23	38	52
	Cholamandalam Securities Limited	-	183	138	115	108
	DBS Cholamandalam Distribution Limited	-	336	307	173	164
	DBS Cholamandalam Asset Management Limited	-	5	3	29	22
	Cholamandalam MS Risk Services Limited		-	2	-	-
	Cholamandalam Factoring Limited	NA	-	-	-	-
Purchase of Fixed Assets	Cholamandalam Securities Limited		-	-	-	3
	DBS Cholamandalam Distribution Limited	NA				-
	DBS Cholamandalam Asset Management Limited	-				-
Sale of Fixed Assets	Cholamandalam Securities Limited			1	-	
	DBS Cholamandalam Distribution Limited		-	1	-	
Sale of Intangible Assets (Copyright)	Tube Investments of India Limited		-	-		
Sale of Investments	Tube Investments of India Limited		1,649	-		
Advances/ Deposits Given	DBS Cholamandalam Distribution Limited	- 215	-	203		
Advances/Deposits Recovered	Tube Investments of India Limited	1	-			
	DBS Cholamandalam Asset Management Limited	-	-			
	DBS Cholamandalam Distribution Limited	135	104	-		
Subscription of Equity Shares	DBS Cholamandalam Asset Management Limited	2,000	-	500		
	DBS Cholamandalam Distribution Ltd-Rs.70 only	-	-	-	-	-
	Cholamandalam Securities Limited - Rs.140 only					
	DBS Cholamandalam Trustee Limited - Rs.70 only	-	-	-	-	-
Redemption of Preference Shares	DBS Cholamandalam Asset Management Limited	750	-	-	-	-
Waiver of Rights to Arrears of Preference	Cholamandalam Securities Limited	-	338	-	-	-
Dividend	DBS Cholamandalam Asset Management Limited	-	-	116	-	-

Cholamandalam DBS Finance Limited
Statement of Related Party Transactions

Annexure VIII (Contd…)

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Remuneration	KMP (Mr. Atul Pande)	111	NA	NA	NA	NA
	KMP (Mr. Anandan)	NA	107	89	156	119
Asset given on lease - Unmatured Instalments	DBS Cholamandalam Distribution Ltd	-	-	-	4	14
Expenses – Reimbursed	Tube Investments of India Ltd	1	87	-	-	-
	DBS Cholamandalam Distribution Ltd	1	3	8	-	-
	Cholamandalam Securities Ltd	-	-	-	-	-
	DBS Cholamandalam Asset Management Ltd	4	-	4	-	-
	DBS Bank Ltd	33	-	NA	NA	NA
Amounts Received towards Reimbursements of Expenses	Tube Investments of India Ltd DBS Cholamandalam Distribution Ltd	1 35	2 33	2 16	-	-
	DBS Cholamandalam Asset Management Ltd	21	26	41	-	-
	Cholamandalam MS Risk Services Ltd	NA	24	20	-	-
	Cholamandalam Securities Ltd	21	22	12	-	-
	Cholamandalam Factoring Ltd	NA	NA	10	-	-
Debentures (Subordinated Debt issued)	DBS Bank Ltd	1100	-	NA	NA	NA
Director's Sitting Fees and Commission	DBS Bank Ltd	2	-	NA	NA	NA
Net Amounts Receivable/(Due) as at Year end	Cholamandalam Securities Ltd	6	-	23	-1	-15
	Tube Investments of India Ltd	-	-	-	6	-
	DBS Cholamandalam Distribution Ltd	-	-1	-1	-	-
	DBS Cholamandalam Distribution Ltd	94	102	206	3	116
	DBS Cholamandalam Asset Management Ltd	17	7	19	1	94
	DBS Bank Ltd	-1,130	-	NA	NA	NA
	Cholamandalam Factoring Ltd	NA	93	155	169	241
	Cholamandalam MS Risk Services Ltd	NA	-	3	8	-
	KMP	-	-	-	9	10
	Relative of KMP *	-	3	3	3	-

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

CHOLAMANDALAM DBS FINANCE LIMITED

Annexure IX: Capitalization Statement

Rs. in lakhs

Particulars	Pre-Issue as at March 31, 2007	As at March 31, 2007 Adjusted for Rights Issue Only
Borrowings		
Long Term Debt	168,584	168,584
Short Term Debt	153,299	153,299
Total Debt	**321,883**	**321,883**
Shareholders' Funds		
Share Capital	3,801	5,224
Reserves (Restated)	28,775	47,274
Less: Miscellaneous Expenditure not written off	(391)	(391)
Total Shareholders' Fund (Net Worth)	**32,185**	**52,107**
Long Term Debt / Equity (Share Capital)	44.35	32.27
Long Term Debt / Shareholders' Funds (Net Worth)	5.24	3.24

Notes:

The Capitalisation Statement has been prepared based on the Management's assumption that the proposed Rights issue of equity shares to the shareholders of the Company consisting of 14,229,929 Equity Shares of Rs. 10 each to be issued at the rate of Rs. 140 per share will be subscribed fully.

The Capitalisation Statement does not consider the impact of the detachable warrants proposed to be issued as a part of the proposed Rights Issue of equity shares.

Annexure - X

Cholamandalam DBS Finance Limited

Statement of Dividend Paid

(A) Dividend on Equity Shares

Year Ended March 31,	Equity Share Capital * (Rs. in lakhs)	No. of Equity Shares of Rs 10 each	Rate of Dividend (%)	Amount of Dividend # (Rs. in lakhs)
2007**	3,801	37,946,476	40	1,518
2006	3,801	37,946,476	50	1,897
2005	3,801	37,946,476	50	1,897
2004	2,536	25,299,033	50	1,265
2003	1,693	16,868,225	50	843

* Net of amount paid-up on shares forfeited Rs. 7 lakhs

** Proposed Dividend – Subject to the approval of the Shareholders.

Excludes Dividend Distribution Tax, where applicable

(B) Dividend on Preference Shares @

Year Ended March 31,	No. of Preference Shares of Rs. 100 each	Amount of Dividend (Rs. in lakhs) #	Rate of Dividend (%)
2006	1,000,000	52	6.85
2005	1,000,000	70	6.85
2005	1,300,000	31	8.75
2004	1,000,000	88	8.75
2004	1,300,000	110	8.50
2004	1,000,000	17	8.50
2003	1,000,000	34	8.75
2003	2,300,000	65	8.50

@ On a pro-rata basis, wherever applicable

Excludes Dividend Distribution Tax, where applicable

Annexure - XI

Cholamandalam DBS Finance Limited

Statement of Accounting and Other Ratios

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003
Earnings per Share (Note 1 below)					
- Including Extraordinary Items (Rs.)	9.38	8.97	9.62	14.09	11.22
- Excluding Extraordinary Items (Rs.)	9.38	8.97	9.62	13.49	11.22
Return on Net Worth (%)	11.06%	11.37%	11.93%	16.23%	10.84%
As at March 31,					
Net Asset Value per Share (Rs.) (Note 2 below)	84.82	80.23	77.23	83.82	95.96

Rs. in lakhs

Note 1: Calculation of Earnings per Share

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003
Net Profit as Restated	3,559	3,463	3,616	3,816	2,113
Less: Preference Dividend including Dividend tax thereon	-	59	114	242	99
Adjusted Net Profit as Restated	3,559	3,404	3,502	3,574	2,014
Extraordinary Items	-	-	-	-153	-
Adjusted Net Profit (Excluding Extraordinary Items)	3,559	3,404	3,502	3,421	2,014
Weighted Avg No. of Equity Shares	37,946,476	37,946,476	36,416,330	25,360,125	17,957,725
Basic and Diluted Earnings per Share (Including Extraordinary Items) (Rs.)	9.38	8.97	9.62	14.09	11.22
Basic and Diluted Earnings per Share (Excluding Extraordinary Items) (Rs.)	9.38	8.97	9.62	13.49	11.22

Note 2: Calculation of Net Asset Value per Share

Rs. in lakhs

Particulars	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Net Worth as Restated	32,185	30,444	30,305	23,505	19,487
Less: Preference Share Capital	-	-	1,000	2,300	3,300
Net Worth Attributable to Equity Shareholders	32,185	30,444	29,305	21,205	16,187
No. of Equity Shares	37,946,476	37,946,476	37,946,476	25,299,033	16,868,225
Net Asset Value per Share (Rs.)	84.82	80.23	77.23	83.82	95.96

Definition of Ratios

Earnings per Share: Net Profit after Tax attributable to Equity Shareholders / Weighted Average Number of Equity Shares outstanding during the year

Return on Net Worth : Net Profit after Tax / Net Worth at the end of the year

Net Asset Value per Share : Net Worth excluding Preference Share Capital / Number of Equity shares Outstanding at the end of the year

1. Ratios have been computed on the basis of restated profits for the respective years
2. Earnings per Share calculations are done in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India
3. Net Worth attributable to Equity Shareholders represents Shareholders' Equity less Miscellaneous Expenditure to the extent not written off

Cholamandalam DBS Finance Limited

Annexure XII
Rs. in lakhs

Statement of Tax Shelter

Particulars	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Net Profit Before Tax as per Books	4,727	4,604	5,156	4,605	4,555
Income Tax Rate	33.66%	33.66%	36.59%	35.88%	36.75%
Notional Tax Liability (A)	**1,591**	**1,550**	**1,887**	**1,652**	**1,674**
Adjustments					
Exempt Incomes	-104	-134	-95	-89	-
Profit on Sale of Fixed Assets and Investments	-175	-1,663	-619	-451	-346
Gain on Renunciation of Rights Shares	-	-	-	-473	-
Gain on Sale of Own Debentures	-	-	-	-207	-
Difference between Tax and Book Depreciation	-536	67	387	873	2,051
Provisions (NPA, Investments, Repossessed Stock, Employee Benefits etc)	826	430	-83	415	932
Channel Expenses Already Claimed for Tax	-	55	541	1,202	-
Others	-458	-36	-27	192	-216
Total Adjustments	**-447**	**-1,281**	**104**	**1,462**	**2,421**
Tax (Saving) / Expense thereon (B)	**-150**	**-431**	**38**	**525**	**890**
Provision for Tax for prior years (C)	146	-	-	-	-
Provision for Income Tax for the Year(A)+(B)+ (C)	**1,587**	**1,119**	**1,925**	**2,177**	**2,564**

Note:

The tax shelter is worked out on the basis of the profits as per the audited accounts and is not based on the statement of restated profits and losses given in Annexure 1.

Annexure XIII

Cholamandalam DBS Finance Limited

Statement of Restated Consolidated Profits and Losses *Rs. in lakhs*

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Income from Operations (Note 1 Below)	43,556	24,292	23,526	25,148	25,495
Other Income (Non-recurring)	209	183	53	62	51
Total Income	**43,765**	**24,475**	**23,579**	**25,210**	**25,546**
Staff Cost (Note 2 Below)	5,357	2,758	2,300	1,892	1,601
Business Origination Outsourcing (Note 3 below)	6,142	1,812	2,165	3,029	1,755
Operating and Other Expenses (Note 4 Below)	4,518	2,584	2,106	2,150	2,026
Financing Charges	18,895	9,930	8,855	9,037	10,436
Depreciation	708	534	1,029	1,901	3,995
Provisions, Loan Losses and Other Charges (Note 5 below)	3,590	2,083	2,250	2,591	1,688
Total Expenditure	**39,210**	**19,701**	**18,705**	**20,600**	**21,501**
Net Profit Before Taxation and Extraordinary Items	**4,555**	**4,774**	**4,874**	**4,610**	**4,045**
Provision for Taxation					
- Income Tax	1,746	1,237	1,971	2,241	2,588
- Deferred Tax	-21	-96	-176	-625	-823
- Fringe Benefit Tax	91	78	-	-	-
Net Profit After Taxation before Extraordinary Items	**2,739**	**3,555**	**3,079**	**2,994**	**2,280**
Add / (Less) :					
Extraordinary Items (Note 8 of Annexure XVI)	-	-	-	102	-
Net Profit After Taxation and Extraordinary Items	**2,739**	**3,555**	**3,079**	**3,096**	**2,280**
Add / (Less) :					
Minority Interest in Net Income	-	-	-1	3	5
Proportionate Share in Results of Operations of Associate	-	1	6	4	3
Loss on Divestment in Associate&Jointly Controlled Entity	-	-20	-	-	-
Net Profit After Taxation	**2,739**	**3,536**	**3,084**	**3,103**	**2,288**
Adjustments Due to Changes in Accounting Policies / Prior Period Adjustments [Add / (Less)]					
Upfront Gain on Securitisation (Note 1(i) of Annexure XVI)	468	136	-159	-157	-438
Business Origination Outsourcing (Note 1(ii) of Annexure XVI)		55	541	1,069	-584
Employee Benefits (Note 1(iv) of Annexure XVI)	118	-114	-77	-64	-8
Prior Period Items (Note 1(v) of Annexure XVI)					
- Tax	176	-176	-	-	-
- Other Items	-	-	-	95	-95
Tax effect of the above Adj. (Note 1(vi)of Annexure XVI)	-197	-26	-112	-338	413
Net Adjustments (Also refer Note 2 of Annexure XVI)	565	-125	193	605	-712
Restated Net Profit After Taxation	**3,304**	**3,411**	**3,277**	**3,708**	**1,576**

The accompanying significant accounting policies (Annexure XV) and notes to the accounts (Annexure XVI)

form an integral part of this statement

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Consolidated Profits and Losses

Annexure XIII (Contd...)

Rs. in lakhs

	For the Years Ended				
	March31, 2007	**March31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1 : Income from Operations					
Income from					
- Automobile Financing (Note (a) below)	24,049	16,634	17,677	17,810	16,519
- Consumer Loans (Note (b) below)	9,205	71	196	397	294
- Loans Against Securities	2,505	2,022	1,920	2,089	2,295
- Loans Against Immovable Property	711	136	46	92	130
- Other Loans	3,178	893	575	274	483
- Bills Purchased and Discounted	-	29	28	24	17
- Lease Rentals	1	170	752	1,951	4,086
- Stock Broking, Depository Operations and Allied Services	862	696	413	514	287
- Retail Distribution Operations	1,274	974	684	535	480
- Fund Management Operations	635	385	276	464	336
- Investments - Dividend and Interest	1,056	548	417	687	371
Profit on Sale of Investments (Net) (Note (c) below)	74	1,672	497	288	184
Liability No Longer Required Written Back	6	5	-	2	-
Proportionate Share in the Income of Jointly Controlled Entity	-	57	45	21	13
Total before Adjustments	**43,556**	**24,292**	**23,526**	**25,148**	**25,495**
Adjustments for:					
- Upfront Gain on Securitisation (Note 1(i) of Annexure XVI)	468	136	-159	-157	-438
- Prior Period Items (Note 1(v) of Annexure XVI)	-	-	-	95	-95
Total after Adjustments	**44,024**	**24,428**	**23,367**	**25,086**	**24,962**
Notes:					
(a) Income from Automobile Financing comprises:					
- Interest on Loans	17,676	13,456	14,860	15,074	12,528
- Income on Assignment of Receivables	2,701	306	183	-	66
- Income on Securitisation of Receivables	53	574	817	557	705
- Other Operating Income	3,619	2,298	1,817	2,179	3,220
	24,049	**16,634**	**17,677**	**17,810**	**16,519**
(b) Income from Consumer Loans comprises:					
- Interest on Loans	5,877	37	184	383	277
- Upfront Income on Assignment of Receivables	1,206	-	-	-	-
- Other Operating Income	2,122	34	12	14	17
	9,205	**71**	**196**	**397**	**294**
(c) Profit on Sale of Investment includes:					
- Gain on Sale of 169,317 Equity Shares of Parry Agro Industries Limited	-	1,455	-	-	-
- Gain on Sale of 161,383 Equity Shares of Parry Confectionery Limited	-	-	217	-	-

Cholamandalam DBS Finance Limited
Notes to the Statement of Restated Consolidated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 2 : Staff Costs					
Salaries, Wages, Bonus and Commission	4,724	2,417	2,003	1,607	1,296
Contribution to Provident and Other Funds	293	210	178	182	185
Staff Welfare Expenses	340	131	119	103	120
Total before Adjustments	5,357	2,758	2,300	1,892	1,601
Adjustment for Employee Benefits (Note 1(iv) of Annexure XVI)	-118	114	77	64	8
	5,239	2,872	2,377	1,956	1,609
Note 3 : Business Origination Outsourcing					
Business Origination Outsourcing	6,142	1,812	2,165	3,029	1,755
Total before Adjustments	**6,142**	**1,812**	**2,165**	**3,029**	**1,755**
Adjustments (Note 1(ii) of Annexure XVI)	-	-55	-541	-1,069	584
Total after Adjustments	**6,142**	**1,757**	**1,624**	**1,960**	**2,339**
Note 4 : Operating and Other Expenses					
Rent and Electricity Charges	1,118	412	481	474	362
Rates and Taxes	66	70	66	81	43
Communication Cost	655	449	349	292	261
Travelling and Conveyance	723	434	327	304	275
Advertisement Expenses	304	192	123	220	201
Business Development Expenses	123	122	50	-	-
Mutual Fund Promotion Expenses	268	40	98	206	333
Information Technology Expenses	225	130	62	52	79
Insurance	103	58	45	35	26
Repairs and Maintenance :					
- Building	6	2	2	2	5
- Others	82	57	48	52	55
Printing and Stationery	270	111	101	117	123
Auditors' Remuneration	34	28	29	20	13
Miscellaneous Expenses	700	445	315	303	280
Proportionate Share in the Expenditure of Jointly Controlled Entity	-	44	34	19	16
	4,677	2,594	2,130	2,177	2,072
Less : Expenses Recovered from Other Companies	159	10	24	27	46
	4,518	**2,584**	**2,106**	**2,150**	**2,026**
Note 5 : Provisions, Loan Losses and Other Charges					
Bad Debts (Note (a) below)	1,252	219	240	643	661
Less: Provision Released	774	90	142	145	130
	478	129	98	498	531
Prov. for Sub-standard & Doubtful Receivables under Financing Activity	958	735	147	368	224
Loss on Repossessed Assets (Net)	1,470	921	1,687	1,311	210
Recovery Charges	642	290	253	371	92
Prov for Diminution inValue of Investments/Amortisation of Premium paid on Government Securities	-	-	-	19	19
Loss on Sale of Fixed Assets (Net)	-	-	12	16	24
Proportionate share inthe loss on sale of assets of Jointly ControlledEntity	-	-	-	-	1
Amortisation of Premium on Acquisition of Government Securities	27	7	51	-	586
Others	15	1	2	8	1
	3,590	**2,083**	**2,250**	**2,591**	**1,688**
(a) Includes unreconciled dues charged off to the Profit and Loss Account	-	-	-	47	-

Annexure XIV

Cholamandalam DBS Finance Limited

Rs in lakhs

Statement of Restated Consolidated Assets and Liabilities

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Assets					
Fixed Assets (Cost) (Note 1 below)					
Assets given on Lease					
Gross Block	37	667	5,923	10,795	16,983
Less : Depreciation	37	660	5,739	9,581	14,096
Net Block	-	7	184	1,214	2,887
Own Assets					
Gross Block	6,011	4,169	3,477	3,093	2,965
Less : Depreciation	2,212	1,577	1,541	1,260	1,003
Net Block	3,799	2,592	1,936	1,833	1,962
Capital Advances	70	117	2	26	-
Proportionate Share in Fixed Assets of Jointly Controlled Entity	-	-	4	4	3
Total Fixed Assets	3,869	2,716	2,126	3,077	4,852
Investments (Note 2 below)	5,129	3,764	10,467	5,849	8,675
Less:Provision for Diminution/Amortisation of Premium on Acquisition of Government Securities	81	54	81	332	714
Total Investments	5,048	3,710	10,386	5,517	7,961
Deferred Tax Asset (Note 13 of Annexure XVI)	899	942	754	921	869
Current Assets, Loans and Advances					
Receivables under Financing Activity (Note 3 below)	326,928	189,552	147,679	141,917	119,166
Stock in Trade (Note 4 below)	-	-	-	2	-
Sundry Debtors (Note 5 below)	747	1,062	490	364	224
Cash and Bank Balances (Note 6 below)	28,132	7,166	4,391	3,500	2,321
Other Current Assets (Note 7 below)	6,358	2,644	2,748	3,540	2,789
Other Loans and Advances (Note 8 below)	2,259	1,903	2,737	2,414	2,693
Total Current Assets, Loans and Advances	364,424	202,327	158,045	151,737	127,193
Total (A)	**374,240**	**209,695**	**171,311**	**161,252**	**140,875**
Liabilities and Provisions					
Secured Loans					
Redeemable Non-Convertible Debentures	124,356	48,100	37,000	35,000	38,500
Working Capital Demand Loans, Foreign Currency Loans& Cash Credit from Banks	45,448	30,451	15,988	23,185	24,246
Term Loans from Financial Institutions	-	-	-	3,849	3,000
Term Loans from Banks and Others	22,253	17,164	19,808	5,962	2,000
Total Secured Loans	192,057	95,715	72,796	67,996	67,746
Unsecured Loans					
Medium Term Non-Convertible Debentures - Subordinated Debt	15,000	-	-	-	-
Short Term Non-Convertible Debentures	60,000	17,000	-	11,000	15,700
Short Term Loans and Inter-Corporate Deposits (including Foreign Currency Loans)	35,395	15,260	20,175	9,559	130
Commercial Paper	12,456	29,639	24,179	21,165	9,248
Fixed Deposits	6,975	12,011	16,167	19,127	20,017
Total Unsecured Loans	129,826	73,910	60,521	60,851	45,095
Deferred Tax Liability (Note 13 of Annexure XVI)	524	319	208	438	673
Current Liabilities and Provisions					
Current Liabilities (Note 9 below)	17,743	7,391	6,008	8,989	8,395
Provisions (Note 10 below)	3,911	3,650	3,108	738	641
Total Current Liabilities and Provisions	21,654	11,041	9,116	9,727	9,036
Total (B)	**344,061**	**180,985**	**142,641**	**139,012**	**122,550**
Net Worth (A-B)	**30,179**	**28,710**	**28,670**	**22,240**	**18,325**

Annexure XIV

Cholamandalam DBS Finance Limited

Rs in lakhs

Statement of Restated Consolidated Assets and Liabilities

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Represented By:					
Share Capital (Note 4 of Annexure XVI)					
Equity Shares	3,801	3,801	3,801	2,536	1,693
Preference Shares	-	-	1,000	2,300	3,300
Total Share Capital	3,801	3,801	4,801	4,836	4,993
Minority Interest	-	-	7	7	9
Reserves and Surplus					
Share Premium Account	14,043	14,043	14,043	8,419	6,367
Capital Redemption Reserve	3,300	3,300	2,300	1,000	-
Statutory Reserve	5,401	4,780	4,075	3,393	2,751
Contingency Reserve	-	-	-	-	1,100
General Reserve	5,274	4,928	5,255	5,655	4,705
Balance in Profit and Loss Account	-1,062	-1,564	-1,331	-740	-1,288
Adjustments on Consolidation	73	27	-	-	-
Proportionate Share in Profit of Associate	-	-	4	3	3
Total Reserves and Surplus	27,029	25,514	24,346	17,730	13,638
Miscellaneous Expenditure	-391	-391	-281	-130	-112
Goodwill on Consolidation (Net of Capital Reserve in Associate)	-260	-214	-203	-203	-203
Net Worth	**30,179**	**28,710**	**28,670**	**22,240**	**18,325**

The accompanying significant accounting policies (Annexure XV) and notes to the accounts (Annexure XVI) form an integral part of this statement

Cholamandalam DBS Finance Limited

Notes to the Statement Of Restated Consolidated Assets And Liabilities

Rs. in Lakhs

	As At				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1 : Fixed Assets (Cost)					
Assets Given On Lease					
Plant & Machinery					
Gross Block	-	525	5,500	10,024	15,661
Accumulated Depreciation	-	518	5,381	8,989	13,159
Net Block	-	7	119	1,035	2,502
Office Equipment					
Gross Block	-	87	152	152	171
Accumulated Depreciation	-	87	117	86	75
Net Block		-	35	66	96
Vehicles	37	55	271	619	1,151
Gross Block	37	55	241	506	862
Accumulated Depreciation	-	-	30	113	289
Net Block					
Total Assets Given On Lease					
Gross Block	**37**	**667**	**5,923**	**10,795**	**16,983**
Accumulated Depreciation	**37**	**660**	**5,739**	**9,581**	**14,096**
Net Block (A)	**-**	**7**	**184**	**1,214**	**2,887**
Own Assets					
Land	41	41	41	41	41
Gross Block	-	-	-	-	-
Accumulated Depreciation	41	41	41	41	41
Net Block					
Buildings	1,301	1,419	919	919	1,036
Gross Block	235	204	309	263	226
Accumulated Depreciation	1,066	1,215	610	656	810
Net Block					
Plant & Machinery	1,576	1,007	950	735	690
Gross Block	809	610	540	417	334
Accumulated Depreciation	767	397	410	318	356
Net Block					
Office Equipment	359	161	147	127	103
Gross Block	99	60	53	42	35
Accumulated Depreciation	260	101	94	85	68
Net Block					
Furniture & Fixtures	1,490	582	523	479	360
Gross Block	468	230	273	245	194
Accumulated Depreciation	1,022	352	250	234	166
Net Block					
Vehicles	196	138	138	122	102
Gross Block	28	30	26	19	12
Accumulated Depreciation	168	108	112	103	90
Net Block					
Computer Software	705	478	416	327	290
Gross Block	364	270	203	160	110
Accumulated Depreciation	341	208	213	167	180
Net Block					
Stock Exchange Membership Card	343	343	343	343	343
Gross Block	209	173	137	114	92
Accumulated Depreciation	134	170	206	229	251
Net Block					
Total Own Assets					
Gross Block	**6,011**	**4,169**	**3,477**	**3,093**	**2,965**
Accumulated Depreciation	**2,212**	**1,577**	**1,541**	**1,260**	**1,003**
Net Block (B)	**3,799**	**2,592**	**1,936**	**1,833**	**1,962**
Capital Advance (C)	**70**	**117**	**2**	**26**	**-**
Proportionate Share In Fixed Assets Of Jointly Controlled Entity (D)	**-**	**-**	**4**	**4**	**3**
Total Fixed Assets (A) + (B) + (C) + (D)	**3,869**	**2,716**	**2,126**	**3,077**	**4,852**

Cholamandalam DBS Finance Limited

Notes to the Statement of Restated Consolidated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 2 : Investments					
(A) CURRENT - NON TRADE -UNQUOTED					
Units in Mutual Fund Schemes	2,315	1,054	4,299	793	1,001
TOTAL (A)	**2,315**	**1,054**	**4,299**	**793**	**1,001**
(B) LONG TERM - TRADE - UNQUOTED					
In Equity Shares of Rs 10 each fully paid up in Bodies Corporate	-	-	204	443	443
TOTAL (B)	-	**-**	**204**	**443**	**443**
(C) LONG TERM - NON TRADE - QUOTED					
a) In Equity Shares of Rs.10 each fully paid up in Bodies Corporate	-	-			
b) In Government Securities	1,723	1,723	2,021	1,600	1,299
c) Others	-	15	15	671	870
TOTAL (C)	**1,723**	**1,738**	**2,036**	**2,271**	**2,169**
(D) LONG TERM - NON TRADE - UNQUOTED					
a) In Other Bodies Corporate					
Equity Shares of Rs.10 each fully paid up	129	129	1,711	1,734	1,734
Equity Shares of Rs.25 each fully paid up	-	-	-	-	-
b) In Cholamandalam Factoring Limited, an Associate Company					
Equity Shares of Rs.10 each fully paid up	-	-	33	33	33
Add:Adjustment for Capital Reserve arising on Acquisition of Investment	-	-	4	4	4
Add: Adjustment for Proportionate Share in the Profits from Date of Acquisition	-	-	16	11	6
c) Proportionate Share in the Investment of Jointly Controlled Entity	-	-	64	39	36
d) Units in Mutual Fund Schemes	113	-	571	396	3,124
e) Series AST Pass Through Certificates, Asset Securitisation Trust December IV 2004	-	-	1,529	125	-
f) Series AST Pass Through Certificates, Asset Securitisation Trust September 2004 P Series	209	843	-	-	-
g) Series AST Pass Through Certificates, Asset Securitisation Trust March 2005 Series	640	-	-	-	-
h) Others	-	-	-	-	125
TOTAL (D)	**1091**	**972**	**3928**	**2342**	**5062**
TOTAL (A + B + C + D)	**5129**	**3,764**	**10,467**	**5,849**	**8,675**
Less : Amortisation of Premium on Acquisition of Government Securities	81	54	81	332	714
	5,048	**3,710**	**10,386**	**5,517**	**7,961**

Cholamandalam DBS Finance Limited

Rs. in lakhs

Notes to the Statement of Restated Consolidated Assets and Liabilities

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 3 : Receivables Under Financing Activity					
(A) Secured					
Hypothecation/Hire Purchase of Automobile Assets	157,926	147,216	118,324	113,068	98,131
Loans against Securities	26,982	16,600	16,107	22,319	14,527
Loans against Immovable Property	12,320	1,626	1,123	417	730
Other Loans	53,042	16,182	5,289	374	456
Installments and Other Dues from Borrowers	5,453	5,130	5,299	4,919	4,347
Total (A)	255,723	186,754	146,142	141,097	118,191
(B) Unsecured					
Consumer Loans	67,882	1,237	6	38	108
Other Loans	3,049	1,461	1,290	439	538
Bills Purchased and Discounted	-	100	134	225	263
Installments and Other Dues from Borrowers	274	-	107	118	66
Total (B)	71,205	2,798	1,537	820	975
Total (A+B)	**326,928**	**189,552**	**147,679**	**141,917**	**119,166**

Notes:

(a) 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.

(b) Refer Note 10 below for Provision for Sub-standard and Doubtful Receivables under Financing Activity. No adjustment to the above classification of Secured / Unsecured has been made on account of such provisioning.

Note 4: Stock in Trade					
Quoted					
Geojit Securities Limited	-	-	-	-	-
Precision Fastners Limited	-	-	-	-	-
Khandelwal Securities Limited	-	-	-	-	-
Rinki Petro Limited	-	-	-	-	-
Biocon Limited	-	-	-	2	-
	-	-	-	2	-
Note 5: Sundry Debtors					
Unsecured - Considered Good					
Debts Outstanding For a Period Exceeding Six Months	-	-	4	3	2
Other Debts	747	1,062	477	354	218
Proportionate Share in the Debtors of Jointly Controlled Entity	-	-	9	7	4
	747	1,062	490	364	224
Note 6: Cash and Bank Balances					
Cash and Cheques on Hand	896	198	238	139	1
Balances With Scheduled Banks on	-	-	-	-	-
- Current Account	4,666	2,703	1,251	992	486
- Unpaid Dividend Accounts	49	52	56	427	38
- Deposit Account:					
- Free Of Lien	63	829	829	1,005	1,129
- Under Lien	22,458	3,384	2,014	937	666
Proportionate Share in the Cash and Bank Balances of Jointly Controlled Entity	-	-	3	-	1
	28,132	7,166	4,391	3,500	2,321

Cholamandalam DBS Finance Limited

Notes to the Statement of Restated Consolidated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 7: Other Current Assets					
Unsecured - Considered Good					
Repossessed Automobile Assets (at estimated realisable value	1,290	1,169	1,112	1,829	1,277
Interest and Other Income Accrued but Not Due -					
- On Loans to Borrowers	4,357	1,335	1,384	1,578	-
- On Deposits and Investments	631	88	96	120	1,391
Other Accruals and Receivables	80	52	155	12	111
Sale Proceeds Receivable	-	-	-	-	10
Proportionate Share in the Other Current Assets of Jointly Controlled Entity	-	-	1	1	-
	6,358	2,644	2,748	3,540	2,789
Note 8: Other Loans and Advances					
Unsecured - Considered Good					
Inter Corporate Deposits	525	357	1,300	871	1,911
Advances Recoverable in Cash or in Kind or for Value to be Received (Note (a) below)	992	1,175	994	1,224	674
Advance Payment of Tax and Tax Deducted at Source	742	371	415	315	106
Proportionate Share in Loans And Advances of Jointly Controlled Entity	-	-	28	4	2
	2,259	1,903	2,737	2,414	2,693
Note:					
(a) Includes share issue expenses, pending allotment of shares. This has been adjusted against Securities Premium in the year ended Mar31, 2004	-	-	-	-	67
Note 9: Current Liabilities					
Sundry Creditors					
- Due to Client and Stock Exchanges	1,231	1,098	313	623	187
- Others	2,705	855	763	1,228	1,162
Advances from Customers	2,325	1,387	1,338	2,395	2,618
Unclaimed Dividend	49	52	56	427	38
Interest Accrued But Not Due on Loans / Other Deposits	6,056	1,705	1,967	2,735	3,067
Other Liabilities	5,377	2,294	1,566	1,581	1,323
Proportionate Share in the Current Liabilities of Jointly Controlled Entity	-	-	5	-	-
	17,743	7,391	6,008	8,989	8,395
Note 10: Provisions					
Provision for Sub-standard and Doubtful Receivables under Financing Activity	1,298	1,115	469	464	361
Provision for Credit Enhancements and Servicing Costs on Assets De-recognised	474	125	241	168	121
Provision for Leave Encashment and Gratuity	274	151	150	94	108
Provision for Income Tax	6	27	8	11	51
Provision for Contested Service Tax	69	69	69	-	-
Proposed Dividend	1,518	1,897	1,897	-	-
Distribution Tax on Proposed Dividend	272	266	273	-	-
Proportionate Share in the Provisions of Jointly Controlled Entity	-	-	1	1	-
	3,911	3,650	3,108	738	641

Notes to the Consolidated Accounts – Group (Contd…)

1.1 Principles of Consolidation

The consolidated financial statements of the "Group" relate to Cholamandalam DBS Finance Limited (the Company), its subsidiaries, associate (upto June 30, 2005) and jointly controlled entity (upto January 3, 2006). The consolidated financial statements have been prepared on the following basis:

(i) The Financial Statements of the Company and its Subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating material intra-group balances and intra-group transactions resulting in unrealised profits or losses, as per Accounting Standard 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

(ii) Investment in Associate Company has been accounted under the equity method as per Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. Also refer Note 1.2 below.

(iii) Interest in Joint Venture has been accounted by using the proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India. Also refer Note 1.2 below.

(iv) The Financial Statements of the Subsidiaries in the Consolidation are drawn upto the same reporting date as that of the Company. Also refer Note 1.2 below.

(v) The excess of Cost to the Company of its Investment in the Subsidiaries and Joint Ventures over the Company's portion of Equity on the date of acquisition is recognised in the Financial Statement as Goodwill.

(vi) The excess of the Company's portion of Equity of the Subsidiaries and Joint Venture on the acquisition date over its Cost of Investment is treated as Capital Reserve.

(vii) Minorities' Interest in Net Assets of the Consolidated Subsidiaries consist of:

a) The amount of Equity attributable to Minorities at the date on which the investment in the Subsidiary is made; and

b) The Minorities' share of movements in Equity since the date the Parent Subsidiary relationship came into existence.

(viii) Minorities' share of Net Profit for the year of the Consolidated Subsidiaries are identified and adjusted against the Profit After Tax of the Group.

1.2 Particulars of Consolidation

(i) 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 at				
	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
DBS Cholamandalam Asset Management Limited	100	99.99	99.27	98.90	98.90
DBS Cholamandalam Distribution Limited	100	99.99	99.99	99.99	99.99
DBS Cholamandalam Trustees Limited	100	99.99	98.90	98.90	98.90
Cholamandalam Securities Limited	100	99.99	99.99	99.99	99.99

(a) The Company's ownership interest of 48.99% in Cholamandalam Factoring Limited (incorporated in India) was divested fully on June 30, 2005. Accordingly, the results of operations upto June 30, 2005 of this associate have been considered for consolidation.

(b) The Company's 49.50% ownership interest in Cholamandalam MS Risk Services Ltd (incorporated in India), a jointly controlled entity, was divested fully on January 3, 2006. Accordingly, the financial statements as at December 31, 2005 have been considered for consolidation for the year ended March 31, 2006.

1.3 Accounting Convention

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

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India for Non-deposit taking Non-Banking Finance Companies (NBFC-ND). Also refer Notes 2(i) and 16 of Annexure XVI.

1.4 Use of Estimates

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

1.5 Revenue Recognition

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

In respect of receivables securitised prior to February 1, 2006 and receivables assigned bilaterally with banks, the difference between the book value of the assets securitised or assigned and the

sale consideration has been taken to revenue after netting off incidental expenses incurred, provision for contingent losses arising from credit enhancements and costs to be incurred in servicing the contracts.

In respect of receivables securitised from February 1, 2006, gains / (losses) arising thereon are amortised over the life of the related receivables. Also refer Notes 1(i) and 3 of Annexure XVI.

Lease Rentals are accrued over the period of Lease.

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

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

1.6 Fixed Assets and Depreciation

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

Depreciation on fixed assets is provided as follows:

Leased Assets**:** Leased assets are fully depreciated over the primary lease period, (ranging between 2 and 9 years) by a method under which the interest rate implicit in the lease is calculated and is applied on the outstanding investment on lease to calculate the finance earnings for the period, and the difference between the lease rentals and finance earnings is charged as depreciation. The depreciation charged under this method is adequate to cover the requirement of statutory depreciation under Section 205(2)(b) of the Companies Act, 1956.
Own Assets Tangible)**:** Own assets (tangible) are depreciated on a straight-line method at the rates prescribed by Schedule XIV to the Companies Act, 1956 except for Partitions and Buildings which are depreciated over 5 and 20 years respectively. Depreciation charge on additions / deletions is restricted to the period of use. Improvements to Leasehold premises are depreciated over the lower of lease period or 5 years. Depreciation charge on additions / deletions is restricted to the period of use. All assets costing Rs.5,000 or less are fully depreciated in the year of purchase

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

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

1.7 Investments

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

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

1.8 **Stock in Trade**

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

1.9 Receivables under Financing Activity

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

(a) unearned income
(b) instalments appropriated up to the year-end

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

1.10 Retirement and Other Benefits

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

Also refer Note 2(ii) of Annexure XVI.

Superannuation: The Group 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.

Gratuity: The Group 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 by LIC using the Projected Unit Credit method.

Also see Note 2(iii) of Annexure XVI.

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

Also see Notes 1(iv) and 2(iv) of Annexure XVI.

1.11 Foreign Currency Transactions

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

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such contract is recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognised as income or expense for the year.

Also refer Note 1 (iii) of Annexure XVI.

1.12 Derivative Transactions

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

1.13 Taxes on Income

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

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

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

1.14 **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent assets are not recognised in the Financial Statements since this may result in the recognition of income that may never be realised.

1.15 Scheme Expenses

Mutual Fund promotion expenses represents expenses incurred for the activities of the Mutual Fund schemes which are borne by / debited to one of the subsidiaries of the Company by the schemes due to limitation of expenses stipulated in the offer documents of the related schemes.

1.16 **Miscellaneous Expenditure**

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

Expenditure relating to website development is amortised over a period of five years.

1. Adjustments to the Financial Statements

(i) Recognition of Gain on Securitisation

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

With effect from February 1, 2006, consequent to the issue of the 'Guidelines on Securitisation of Standard Assets' vide circular no. DBOD. No B.P.BC. 60/21.04.048/2005-06 dated February 1, 2006 by the RBI, the Company has changed its accounting policy relating to recognition of profit on securitisation transactions to comply with the provisions of the guidelines. Accordingly, gain arising on securitisation transactions entered into on and after February 1, 2006 is amortised over the life of the underlying contracts.

Consequent to the aforesaid change in accounting policy, the securitisation gains recognized upfront during the years ended March 31, 2006, 2005, 2004 and 2003 have now been amortised over the tenor of the underlying contracts. The gains have been amortised based on Management's estimates, since, in the opinion of the Management, the precise quantification of the year-wise amounts is not practicable in view of the numerous deals and the large number of pre-payments. In the opinion of the Management, the difference, if any, is not expected to be material.

(ii) Business Origination Outsourcing

Upto the financial year ended March 31, 2003, Business Origination Outsourcing Costs of the Company were being amortised over the life of the Hypothecation / Hire Purchase Agreements to which such costs pertained to. During the financial year ended March 31, 2004, the accounting policy was changed to charge off the entire Business Origination Outsourcing Costs in the year in which such expenditure was incurred. However, the costs incurred upto the financial year ended March 31, 2003 were still being amortised over the balance life of the Hypothecation / Hire Purchase Agreements. The profits of all the five financial years have been restated to ensure consistency in the treatment of Business Origination Outsourcing Costs.

The opening balance of unamortized Business Origination Outsourcing cost as at April 1, 2002 forming part of Miscellaneous Expenditure not amortised has been charged to the General Reserve as at
April 1, 2002.

(iii) Foreign Currency Transactions

Foreign Currency Borrowings covered by forward contracts were stated at contracted rates till the financial year ended March 31, 2005. From the financial year ended March 31, 2006, the Company changed its policy to restate all foreign currency monetary items as at the Balance Sheet date at the closing exchange rates in line with Accounting Standard 11 (Revised) issued by the Institute of Chartered Accountants of India. This change has been applied for the years ended March 31, 2003 to years ended March 31, 2005 to ensure consistency, resulting in restatement of the assets and liabilities for these years. However, there is no impact in the profits and losses of these years.

(iv) Employee Benefits

Effective April 1, 2006, the Group adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Application of this policy for the previous years has resulted in restatement of profits for all the five years except with respect to matters explained in Note 2(ii), 2(iii) and 2(iv) below.

(v) Prior Period Items

Prior period adjustments comprise of material incomes, expenses and income tax pertaining to previous years which have been adjusted in the years to which they relate.

(vii) Tax Effect of Adjustments

Tax effect of adjustments comprises of the tax impact of the restatement adjustments provided at the rates applicable in the respective years.

2. Non-Adjustments to the Financial Statements - Changes in Accounting Policies

(iv) Prudential Norms

The Reserve Bank of India (RBI) has issued certain directives on income recognition, asset classification, provisioning and other related maters. The Company has given effect to these changes in the relevant years so as to be in compliance with the RBI directives. Adjustments to profits, assets and liabilities of the Company, consequent to compliance with the aforesaid directions, have not been carried out retrospectively, as it is not practicable.

(v) Contributions to Provident Fund

Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, the Group had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Consolidated Accounts for the year ended March 31, 2007 by the Board of Directors on April 25, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements in this regard due to non-availability of relevant data for each of the years.

(vi) Gratuity

During the year ended March 31, 2007, the Group had accounted for its Gratuity liability based on the actuarial valuation determined by Life Insurance Corporation of India based on Projected Unit Credit method consequent to early adoption of AS 15 on Employee Benefits (revised 2005) as indicated above. However, retrospective adjustments and disclosures for previous financial years have not been done due to non availability of relevant data for each of the years.

(vii) Short Term Compensated Absences

During the year ended March 31, 2007, the Group had accounted for its liability towards Short term compensated absences on actual basis consequent to the adoption of AS 15 on Employee Benefits (revised 2005) as indicated above. However, retrospective adjustments for the previous financial years have not been done for one of the subsidiaries of the Company, due to non availability of relevant data for each of the years.

3. Non Disclosures

Except for the year ended March 31, 2007, the Company has not presented the disclosures mandated in the 'Guidelines on Securitisation of Standard Assets' issued by RBI vide circular no. DBOD. No B.P.BC. 60/21.04.048/2005-06 dated February 1, 2006 pertaining to Assets Securitised in the prior financial years as the required information are not readily available.

4. Share Capital

(i) 800,000 Equity Shares were allotted in 1990 as fully paid up by way of Bonus Shares by Capitalisation of General Reserve.

(ii) During the year ended March 31, 2002, the Company forfeited 130,900 Equity Shares of Rs.10 each in respect of which allotment money remained unpaid and the amount received on such shares of Rs. 7 lakhs was transferred to the Forfeited Shares Account.

(iii) Allotment of 8,430,808 Equity Shares on the offer of 8,434,113 Equity Shares of Rs.10 each at a premium of Rs. 25 per share on rights issue in March 2003 to the existing equity shareholders of the Company in the ratio of one Equity Share for every two Equity Shares held was made on May 14, 2003.

(iv) Allotment of 12,647,443 Equity Shares on the rights issue offer of 12,649,517 Equity Shares of Rs.10 each at a premium of Rs. 45 per share during March 2004 to the existing equity shareholders of the Company in the ratio of one Equity Share for every two Equity Shares held was made on May 18, 2004.

(v) During the year ended March 31, 2006, the balance 1,000,000 Redeemable Cumulative Preference Shares of Rs. 100 each were redeemed at par as per the terms of redemption.

(vi) Preference shares movement

	Opening		Addition		Redemption		Closing	
Year	No	Rs. in lakhs	No	Rs. in lakhs	No	Rs. in lakhs	No	Rs. in lakhs
2002-03	3300000	3,300	-	-	-	-	3300000	3,300
2003-04	3300000	3,300	-	-	1000000	1,000	2300000	2,300
2004-05	2300000	2,300	-	-	1300000	1,300	1000000	1,000
2005-06	1000000	1,000	-	-	1000000	1,000	-	-
2006-07	-	-	-	-	-	-	-	-

5. Assets De-recognized

Rs. in lakhs

Particulars	2007	2006	2005	2004	2003
As at March 31,					
Assets De-recognised on Securitisation / Assignment of Receivables	74,349	28,816	31,527	17,926	18,545
Assets Subordinated to meet Recourse Obligations	176	1,131	2,650	2,137	1,923
Bank / Other Deposits provided as Collateral	14,542	3,181	1,874	749	666
Year Ended March 31,					
Gains on Assignment of Receivables	3,907	306	183	-	66
Amortised Gain on Securitisation	521	710	658	495	172

Note:

Details of Assets De-recognised by way of Securitisation post February 1, 2006 during the financial year ended March 31, 2007 and included above: (refer Note 3(ii) above)

Particulars	2006-07
Total Number of Assets Securitised	6,586
	Rs. in lakhs
Book Value of Assets Securitised	15,484
Sale Consideration Received	15,704
Gain / (Loss) on Securitisation to be Amortised over the Life of the Securities	220
Bank Deposits provided as Collateral for:	
- Credit Enhancements	1,393
- Liquidity Support	118

6. Capital Commitments

Rs. in lakhs

Particulars	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)	47	221	7	99	3

7. Contingent Liabilities

(c) Counter bank guarantees outstanding –

Rs. in lakhs

As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
473	460	272	62	-

(d) Contested Claims not provided for --

Rs. in lakhs

Particulars	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
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	58	253	-	-	-

Rs. in lakhs

Particulars	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Income Tax matters where the Company and its subsidiaries are in appeal	94	0	-	36	5
Sales Tax matters pending before Appellate Authorities in respect of which the Company is in appeal	450	411	-	-	-
Disputed claims against the Company lodged by various parties under litigation (to the extent quantifiable)	225	225	-	-	-

Notes:

3. No provision for Sales tax payable, if any, on account of amendments arising out of the Supreme Court Judgement on "Taxation of Leases" has been made in the accounts for the year ended March 31, 2003 since the same is recoverable from the parties concerned.

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

8. Extraordinary Items

The Extraordinary Items amounting to Rs. 102 lakhs as disclosed in the Audited Accounts for the year ended March 31, 2004 comprises:

Rs. in lakhs

Particulars	Year Ended March 31, 2004
Premium received against renunciation of rights shares entitlement in Cholamandalam MS General Insurance Company Limited. There was no tax impact for the year, as the said amount was adjusted against the short-term capital loss.	473
Provision made for change in retiral benefits scheme.	-371
Total	**102**

9. Details of Futures Contracts Outstanding at March 31, 2004 for Stock Futures:

Name of the Stock Futures	No. of Contracts	No. of units – Short
Oil and Natural Gas Corporation Limited	13	3,900

10. AS – 15 Disclosure

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

Details of Actuarial Valuation as at March 31, 2007

Particulars	Rs. in lakhs
Projected Benefit Obligation as at April 1, 2006	86.44
Service Cost	19.02
Interest Cost	7.64
Actuarial Losses / (Gains)	-12.37
Benefits Paid	-11.23
Projected Benefit Obligation as at March 31, 2007	**89.50**
Change in Plan Assets	
Fair Value of Plan Assets as at April 1, 2006	86.39
Expected Returns on Plan Assets	7.02
Employer's Contribution	0.10
Benefits Paid	-11.23
Actuarial Gains / (Losses)	2.32
Fair Value of Plan Assets as at March 31, 2007	**84.60**
Cost of the Defined Benefit Plan for the Year	
Current Service Cost	19.02
Interest on Obligation	7.64
Expected Return on Plan Assets	-5.46
Net Actuarial Losses / (Gains) Recognised in the Year	-16.24
Net Cost Recognised in the Profit and Loss Account	**4.96**
Assumptions	
Discount Rate	7.50%
Future Salary Increase (%)	5.00%
Expected Rate of Return on Plan Assets	8.12%

Notes:

4. The expected return on plan assets is as furnished by LIC.
5. Also refer Note 2(iii) above

11. Segment Reporting

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

12. Related Party Disclosures

As per the Accounting Standard 18 on Related Party Disclosure (AS 18) issued by the Institute of Chartered Accountants of India, the related parties, as identified by the Management are as follows:

List of Related Parties:

Companies holding Substantial Interest in Voting Power: Tube Investments of India Limited and DBS Bank Limited, Singapore (from January 3, 2006)

Key Management Person: Mr. Atul Pande (from April 1, 2006)
Mr. M Anandan (upto March 31, 2006)
Mr. Partho Datta (upto March 31, 2004)

Details of Related Party Transactions for the Year:

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Dividend Receipts	Tube Investments of India Limited	-	-	-	-	-
Dividend Payments	Tube Investments of India Limited	587	926	-	615	745
	Key Management Person	-	2	-	2	1
	DBS Bank Limited	730	-	NA	NA	NA
Interest Receipts	Key Management Person	-	-	-	0	0
Rent Payments	Tube Investments of India Limited	-	-	-	18	22
	Relative of Key Management Person*	-	4	4	3	3
Rent Deposit	Relative of Key Management Person*	-	-	-	3	-
Sale of Intangible Assets (Copyright)	Tube Investments of India Limited – Rs Nil (Previous Year Rs. 100 only)	-	-	-	-	-
Sale of Investments	Tube Investments of India Limited	-	1,649	-	-	-
Advances/ Deposits Given	Tube Investments of India Limited	1	-	-	-	-
Remuneration	Key Management Person (Mr Atul Pande)	110	NA	NA	NA	NA
	Key Management Person (Mr M Anandan)	NA	107	95	156	119
Expenses –Reimbursed	Tube Investments of India Limited	1	87	-	-	-
	DBS Bank Limited	33	-	NA	NA	NA
Amounts Received towards reimbursed of expenses	Tube Investments of India Limited	1	2	-	-	-
Debentures (Subordinated Debt issued)	DBS Bank Limited	1,100	-	NA	NA	NA
Director's sitting fees and commission	DBS Bank Limited	2	-	NA	NA	NA
Net Amounts Receivable/ (Due) as at Year end	DBS Bank Limited	-1,100	-	NA	NA	NA
	DBS Bank Limited	-30		NA	NA	NA
	Tube Investments of India Limited	-	-	-	6	-
	Key Management Person	-	-	-	9	10
	Relative of Key Management Person*	-	3	3	3	-

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

13. Deferred Tax Asset / (Liability)

Rs. in lakhs

Particulars	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Deferred Tax Asset					
a) Provision for Sub-standard and Doubtful Receivables under Financing Activity	437 160	375 42	158 81	166 60	130 43
b) Provision for Credit Enhancements and Servicing Costs on Assets De-recognised					
c) Provision for Repossessed Stock	84	54	78	-	-
d) Others	218	471	437	695	696
Total (A)	**899**	**942**	**754**	**921**	**869**
Deferred Tax Liability					
a) Difference between Book and Tax Written Down Values	392	179	81	96	248
b) Unamortised Miscellaneous Expenditure	132	140	127	63	58
c) Others	-	-	-	279	367
Total (B)	**524**	**319**	**208**	**438**	**673**
Deferred Tax Asset / (Liability) – Net (A-B)	**375**	**623**	**546**	**483**	**196**

14. Interests in Joint Venture – Cholamandalam MS Risk Services Limited (JCE)

The Company's ownership interest of 49.50% in the JCE was divested on January 3, 2006.

The Company's proportionate share in the aforesaid jointly controlled entity's assets, liabilities, income and expenditure is as follows:

Rs. in lakhs

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Percentage Shareholding	-	- @	49.5% *	49%	49%
Assets as at Year End	-	-	108	54	46
Liabilities as at Year End	-	-	5	9	1
Income for the Period/Year	-	57	45	22	13
Expenditure for the Period/Year	-	45	35	19	17

* The shareholding increased from 49% to 49.50% during the year
@ The Company's ownership interest of 49.50% in the JCE was divested during the year.

15. Movement in Provisions

Rs. in lakhs

Particulars	As at 31.03.2006	Additional Provision	Utilisation/ Reversal	As at 31.03.2007
Provision for Sub-standard and Doubtful Receivables under	1,115	649	466	1,298

Financing Activity				
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	125	498	149	474
Provision for Contested Service Tax	69	-	-	69
Provision for Sub-standard and Doubtful Receivables under Financing Activity	469	736	90	1,115
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	241	120	236	125
Provision for Contested Service Tax	69	-	-	69
Provision for Sub-standard and Doubtful Receivables under Financing Activity	464	693	688	469
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	168	245	172	241
Provision for Contested Service Tax	-	69	-	69
Provision for Sub-standard and Doubtful Receivables under Financing Activity	361	855	752	464
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	121	209	162	168
Provision for Contested Service Tax	-	-	-	-
Provision for Sub-standard and Doubtful Receivables under Financing Activity	239	846	724	361
Provision for Credit Enhancements and Servicing Costs on Assets Derecognised	-	121	-	121
Provision for Contested Service Tax	-	-	-	-

16. NBFC-ND

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

17. Name Change

The name of the Company has been changed from Cholamandalam Investment and Finance Company Limited to Cholamandalam DBS Finance Limited effective April 12, 2006, after obtaining necessary regulatory approvals.

Cholamandalam DBS Finance Limited

Annexure XVII

Statement of Consolidated Restated Cash Flows

Rs. In lakhs

Particulars	For the Years Ended									
	March 31, 2007		March 31, 2006		March 31, 2005		March 31, 2004		March 31, 2003	
Cash Flow from Operating Activities										
Net Profit Before Tax as per Audited Accounts		**4,555**		**4,774**		**4,874**		**4,610**		**4,045**
Restatement Adjustments affecting Cash Flow:										
Upfront Gain on Securitisation	468		136		(159)		(157)		(438)	
Business Origination Outsourcing	-		55		541		1,069		(584)	
Employee Benefits	118		(114)		(77)		(64)		(8)	
Prior Period Items	-		-		-		95		(95)	
Restated Net Profit Before Tax		**5,141**		**4,851**		**5,179**		**5,553**		**2,920**
Adjustments for:-										
Depreciation	708		534		1,029		1,901		3,995	
Provision for Bad and Doubtful Receivables under Financing Activity	184		645		6		103		122	
Provision for Credit Enhancement &Servicing Costs on Assets Derecognised	349		(115)		72		48		121	
Financing Charges	18,895		9,930		8,855		9,037		10,436	
Provision for Leave Encashment (Net)	122		1		56		(14)		89	
Profit on Sale of Fixed Assets (Net)	(168)		(119)		12		16		24	
Loss on Repossessed Stock (Net)	1,471		922		1,687		1,576		312	
Liability no longer required	(6)		(5)		-		(2)		-	
Profit on Sale of Investments (Net)	(75)		(1,672)		(497)		(288)		(184)	
Provision for Contested Service Tax	-		-		55		14		-	
Amortisation of premium on acquisition of Government Securities	27		7		51		19		605	
Interest and Dividend from Investing Activities	(1,016)		(550)		(325)		(688)		(371)	
Extraordinary Item - change in retiral benefit scheme	-		-		-		(371)			
		20,491		9,578		11,001		11,351		15,149
Operating Profit Before Working Capital Changes		25,632		14,429		16,180		16,904		18,069
Adjustment for :-										
Increase in Receivables under Financing Activity	(235,080)		(65,157)		(36,208)		(40,976)		(48,609)	
Decrease in Leased Assets	-		-		322		51		736	
Increase in Other Current Assets	(21,591)		(1,988)		(984)		(463)		(201)	
(Increase)/Decrease in Other Loans and Advances	15		790		(223)		487		2,372	
Increase / (Decrease) in Current Liabilities and Provisions	6,004		1,649		(1,844)		539		1,097	
Assets Securitised and Assets Assigned bilaterally with Banks	96,111		22,498		29,477		16,095		23,857	
		(154,541)		(42,208)		(9,460)		(24,267)		(20,748)
Cash (Used in) / Generated from Operations		(128,909)		(27,779)		6,720		(7,363)		(2,679)
Financing Charges	(14,519)		(10,304)		(9,768)		(9,385)		(9,974)	
Direct Taxes Paid	(2,053)		(1,431)		(2,060)		(2,501)		(2,156)	
		(16,572		(11,735)		(11,828)		(11,886)		(12,130)
Net Cash Used in Operating Activities (A)		***(145,481)***		***(39,514)***		***(5,108)***		***(19,249)***		***(14,809)***
Cash Flow from Investing Activities										
Purchase of Fixed Assets	(2,009)		(1,389)		(420)		(307)		(365)	
Sale of Fixed Assets	320		383		11		113		82	
Purchase of Other Investments	(13,062)		(175,668)		(259,026)		(1,964)		(6,406)	
Sale/ Redemption of Other Investments	13,032		180,732		258,114		3,345		5,356	
Interest Received from investing activities	1,021		558		357		665		405	
Premium Received against Renunciation of Rights Share							473			
Net Cash From / (Used in) Investing Activities (B)		***(698)***		***4,616***		***(964)***		***2,325***		***(928)***
Cash Flow from Financing Activities										
Long Term										
Increase in Share Capital and Share Premium	-		-		6,889		2,895		-	
Decrease in Preference Share Capital	-		(1,000)		(1,300)		(1,000)		3,300	
Increase in Debentures	91,256		11,100		2,000		(3,500)		8,350	
(Decrease) / Increase in Term Loans from Banks and Others	5,089		(2,644)		9,997		4,811		1,500	
Decrease in Fixed Deposits	(5,030)		(4,154)		(2,966)		(892)		174	
Short Term										
Increase in Bank Borrowings	14,997		14,463		(7,197)		(1,061)		(3,460)	
Increase in Debentures	43,000		17,000		(11,000)		(4,700)		8,300	
Increase in Other Borrowings	2,952		545		13,631		21,346		(292)	
Dividends Paid (Including Distribution Tax)	(2,166)		(2,252)		(486)		(1,280)		(1,802)	
Net Cash From Financing Activities (C)		***150,098***		***33,058***		***9,568***		***16,619***		***16,070***
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)		**3,919**		**(1,840)**		**3,496**		**(305)**		**333**
Cash and Cash Equivalents At the Beginning of the Year		4,007		5,847		2,351		2,656		2,323
Cash and Cash Equivalents At the End of the Year		7,926		4,007		5,847		2,351		2,656

Cash and Cash Equivalents					
At the end of the Year as per Balance Shee	28,132	7,166	4,391	3,500	2,321
Add: Current Investments	2,315	1,054	4,299	793	1,001
Less: Bank Deposits held for More than Three Months	63	829	829	1,005	-
Less: Bank Deposits under Lien	22,458	3,384	2,014	937	666
	7,926	4,007	5,847	2,351	2,656

AUDITORS' REPORT

September 12, 2007

The Board of Directors
Cholamandalam DBS Finance Limited
No.2, Dare House
NSC Bose Road
Chennai – 600 001

Dear Sirs,

1. Further to our report dated July 19, 2007 on the financial information contained in the statements annexed thereto which is to be included in the Offer Document for the Proposed Rights issue of equity shares, and in accordance with the request letter dated September 3, 2007 received from Cholamandalam DBS Finance Limited ("the Company"), we have examined the financial information pertaining to two of the subsidiaries of the Company, namely, DBS Cholamandalam Distribution Limited (formerly known as Cholamandalam Distribution Service Limited) and DBS Cholamandalam Securities Limited (formerly known as Cholamandalam Securities Limited), contained in the statements appended to this report which are also to be included in the Offer Document for the Proposed Rights Issue of equity shares. These statements have been prepared as required by Part II of Schedule II of the Companies Act, 1956, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act,1992 and related clarifications.

   The Company's Management is responsible for the preparation of the aforesaid financial information contained in the Statements annexed to this report. Our responsibility is to report based on the work done. We report thereon as follows:

2. We have examined the 'Statement of Restated Profits and Losses' of DBS Cholamandalam Distribution Limited (DCDL) for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 and the 'Statement of Restated Assets and Liabilities' as at those dates enclosed as Appendix A and B, respectively, to this report and confirm that:

   (a) These Statements reflect the profits and losses, and the assets and liabilities of DCDL for each of the financial years as extracted from the:

      (i) Profit and Loss Account for the financial year ended March 31, 2007 and the Balance Sheet as at March 31, 2007 which have been audited and reported upon by us, and which have been adopted by the members; and

      (ii) Profit and Loss Account for the financial years ended March 31, 2006, 2005, 2004 and 2003, and the Balance Sheet as at March 31, 2006, 2005, 2004 and 2003 which have been audited and reported upon by M/s S.B. Billimoria & Co, Chartered Accountants, and which have been adopted by the members.

   after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Securities and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000 ('the Guidelines') and such regroupings as we considered necessary, except as indicated in paragraph (b) below.

   (b) It has not been possible for DCDL to determine the effect on profits, reserves and net assets, of the following change in accounting policy; accordingly adjustments to profits, reserves and net assets, if any, as of March 31, 2007, have not been made in respect of this change:

(i) Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, DCDL had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Accounts for the year ended March 31, 2007 by the Board of Directors on April 23, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements for the reasons stated in Note 2 of Appendix D.

(c) The Significant Accounting Policies adopted by DCDL are enclosed as Appendix C to this report.

(d) The Notes to the Accounts are enclosed as Appendix D to this report.

(e) Subject to our comments in paragraph 2(b) above, the above financial statements of DCDL have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirements of clause B of Part II of Schedule II of the Companies Act, 1956 as amended from time to time.

3. We have examined the 'Statement of Restated Cash Flows' of DCDL for the financial years ended March 31, 2007, 2006 and 2005 enclosed as Appendix E to this report and confirm that it has been prepared by the Company in accordance with the requirements of Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India from the Statement of Restated Profits and Losses and the Statement of Restated Assets and Liabilities as given in Appendix A and B, respectively. The Statements of Restated Cash Flows has not been presented by the Company for the year ended March 31, 2004 and 2003 for the reasons stated in the Note to Appendix E.

4. We have examined the 'Statement of Restated Profits and Losses' of DBS Cholamandalam Securities Limited (formerly known as Cholamandalam Securities Limited) (DCSEC) for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 and the 'Statement of Restated Assets and Liabilities' as at those dates enclosed as Appendix F and G, respectively, to this report and confirm that:

(a) These Statements reflect the profits and losses, and the assets and liabilities of DCSEC for each of the financial years as extracted from the Profit and Loss Account for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 and the Balance Sheet as at March 31, 2007, 2006, 2005, 2004 and 2003 which have been audited and reported upon by M/s Price Waterhouse, Chartered Accountants, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Securities and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000 ('the Guidelines') and such regroupings as we considered necessary, except as indicated in paragraph (b) below.

(b) It has not been possible for DCSEC to determine the effect on profits, reserves and net assets, of the following change in accounting policy; accordingly adjustments to profits, reserves and net assets, if any, as of March 31, 2007, have not been made in respect of this change:

(i)Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, DCSEC had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution.

Subsequent to the adoption of the Accounts for the year ended March 31, 2007 by the Board of Directors on April 23, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements for the reasons stated in Note 2 of Appendix I.

(c)The Significant Accounting Policies adopted by DCSEC are enclosed as Appendix H to this report.

(d) The Notes to the Accounts are enclosed as Appendix I to this report.

(e) Subject to our comments in paragraph 4(b) above, the above financial statements of DCSEC have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirements of clause B of Part II of Schedule II of the Companies Act, 1956 as amended from time to time.

5. We have examined the 'Statement of Restated Cash Flows' of DCSEC for the financial years ended March 31, 2007, 2006 and 2005 enclosed as Appendix J to this report and confirm that it has been prepared by the Company in accordance with the requirements of Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India from the Statement of Restated Profits and Losses and the Statement of Restated Assets and Liabilities as given in Appendix F and G, respectively. The Statement of Restated Cash Flows has not been presented by the Company for the years ended March 31, 2004 and 2003 for the reasons stated in the Note to Appendix J.

6. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Rights Issue of equity shares and is not to be used, referred to, or distributed for any other purpose without our prior written consent.

Yours faithfully,

For **Deloitte Haskins & Sells**
Chartered Accountants

K. Sai Ram
Partner
Membership No. 022360

Place: Chennai
Date: September 12, 2007

Appendix A

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)
Statement of Restated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Brokerage and Commission (Net)	1,313	983	706	566	532
Other Income	17	16	16	45	10
Total Income	**1,330**	**999**	**722**	**611**	**542**
Incentive and Sub-Brokerage	18	116	113	114	283
Staff Costs (Note 1 Below)	583	300	311	176	171
Operating and Other Expenses (Note 2 below)	363	354	370	244	182
Financing Charges	3	17	10	3	7
Depreciation	47	16	12	7	6
Total Expenditure	**1,014**	**803**	**816**	**544**	**649**
Net Profit / (Loss) before Taxation & Extraordinary Items	**316**	**196**	**-94**	**67**	**-107**
Provision for Taxation					
- Income Tax	61	16	-	3	-
- Deferred Tax	11	-	-	-	-
- Fringe Benefit Tax (Note 9 of Appendix D)	9	-	-	-	-
Net Profit/(Loss) after Taxation before Extraordinary Items	**235**	**180**	**-94**	**64**	**-107**
Extraordinary Items (Note 4 of Appendix D)	-	-	-	-6	-
Net Profit / (Loss) after Taxation and Extraordinary Items	**235**	**180**	**-94**	**58**	**-107**
Adjustments Due to Changes in Accounting Policies / Prior Period Items [Add / (Less)]	26	-9	-2	-5	-3
Employee Benefits (Note 1(i) of Appendix D)	24	-24	-	-	-
Prior Period Items - Income Tax (Note 1(ii) of Appendix D)	-9	3	1	2	1
Tax effect of the above adjustments (Note1(iii)of Appendix D)					
Net Adjustments (Also refer Note 2 of Appendix D)	**41**	**-30**	**-1**	**-3**	**-2**
Restated Net Profit / (Loss) After Taxation	**276**	**150**	**-95**	**55**	**-109**

The accompanying significant accounting policies (Appendix C) and notes to the accounts (Appendix D) form an integral part of this statement

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)

Notes to the Statement of Restated Profits and Losses

Rs in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March31, 2005**	**March 31, 2004**	**March31, 2003**
Note 1 : Staff Costs					
Salaries, Wages, Bonus and Commission	512	-	-	-	-
Charges for Staff / Staff on Deputation	-	290	298	172	164
Contribution to Provident and Other Funds	42	-	-	-	-
Staff Welfare Expenses	29	10	13	4	7
Total before Adjustments	**583**	**300**	**311**	**176**	**171**
Adjustment for Employee Benefits (Note 1(i) of Appendix D)	-26	9	2	5	3
Total after Adjustments	**557**	**309**	**313**	**181**	**174**
Note 2 : Operating and Other Expenses					
Outsourced Services	82	82	124	68	15
Recruitment and Training Expenses	22	12	15	13	5
Rent	76	52	52	23	21
Rates and Taxes	4	-	-	4	-
Lease Rentals	-	1	2	12	15
Electricity	17	15	11	9	7
Repairs and Maintenance - Others	20	12	6	5	9
Travelling and Conveyance	60	41	33	27	27
Communication	52	46	45	30	24
Printing and Stationery	8	6	6	6	6
Information Tecnology Expenses	14	14	9	12	23
Professional Charges	1	-	2	1	3
Business Development and Sales Promotion Expenses	106	74	45	15	10
Investors News Bulletin Expenses	19	17	14	15	13
Bad Debts / Advances Written Off	-	-	-	-	1
Insurance	1	-	-	-	-
Auditors' Remuneration	3	2	2	2	1
Miscellaneous Expenses Written Off	-	-	1	1	1
Other Expenses	23	7	3	1	1
	508	381	370	244	182
Less: Expenses Recovered from Other Companies	145	27	-	-	-
Total	**363**	**354**	**370**	**244**	**182**

Appendix B

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)
Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Assets					
Fixed Assets (Cost) (Note 1 below)					
Gross Block	183	112	94	52	44
Less: Depreciation	97	50	34	22	16
Net Block	86	62	60	30	28
Investments	-	-	1	3	-
Deferred Tax Asset (Note 8 of Appendix D)	-	9	6	5	3
Current Assets, Loans & Advances					
Sundry Debtors (Note 2 below)	291	166	154	83	55
Cash and Bank Balances (Note 3 below)	41	10	10	10	15
Loans and Advances (Note 4 below)	213	70	50	31	48
Total Current Assets, Loans and Advances	545	246	214	124	118
Total (A)	**631**	**317**	**281**	**162**	**149**
Liabilities and Provisions					
Unsecured Loans	94	102	206	3	116
Deferred Tax Liability (Note 8 of Appendix D)	11	-	-	-	-
Current Liabilities and Provisions					
Current Liabilities (Note 5 below)	72	48	69	60	80
Provisions (Note 6 below)	22	11	-	-	-
Total Current Liabilities and Provisions	94	59	69	60	80
Total (B)	**199**	**161**	**275**	**63**	**196**
Net Worth (A - B)	**432**	**156**	**6**	**99**	**-47**
Represented by:					
Equity Share Capital	490	490	490	490	400
Balance in Profit and Loss Account	-58	-334	-484	-390	-446
Miscellaneous Expenditure	-	-	-	-1	-1
Net Worth	**432**	**156**	**6**	**99**	**-47**

The accompanying significant accounting policies (Appendix C) and notes to the accounts (Appendix D) form an integral part of this statement

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)
Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1 : Fixed Assets					
Computers					
Gross Block	63	37	29	20	38
Accumulated Depreciation	27	20	15	11	13
Net Block	36	17	14	9	25
Office Equipment					
Gross Block	13	7	6	5	3
Accumulated Depreciation	2	2	1	1	1
Net Block	11	5	5	4	2
Furniture and Fixtures					
Gross Block	70	50	41	9	3
Accumulated Depreciation	50	14	7	2	2
Net Block	20	36	34	7	1
Vehicle					
Gross Block	19	-	-	-	-
Accumulated Depreciation	1	-	-	-	-
Net Block	18	-	-	-	-
Computer - Software					
Gross Block:	18	18	18	18	-
Accumulated Depreciation	17	14	11	8	-
Net Block	1	4	7	10	-
Total					
Gross Block	**183**	**112**	**94**	**52**	**44**
Accumulated Depreciation	**97**	**50**	**34**	**22**	**16**
Net Block	**86**	**62**	**60**	**30**	**28**

Note 2 : Sundry Debtors					
Unsecured, Considered Good					
Outstanding for a Period Exceeding Six Months	-	-	-	1	-
Others	291	166	154	82	55
Total	**291**	**166**	**154**	**83**	**55**

Note 3 : Cash and Bank Balances					
Cash on Hand	-	-	-	-	-
Balance with Scheduled Banks					
- On Current Accounts	41	10	10	10	15
Total	**41**	**10**	**10**	**10**	**15**

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)
Notes to the Statement of Restated Assets and Liabilities

Rs. In Lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 4 : Loans and Advances					
Advances Recoverable in Cash or in Kind or for Value to be	8	22	23	6	2
Received	43	27	-	-	-
Service Tax Input Credit	82	-	6	16	39
Advance Payment of Tax and Tax Deducted at Source	80	21	21	9	7
Deposit Others					
Total	**213**	**70**	**50**	**31**	**48**
Note 5 : Current Liabilities					
	51	43	68	60	78
Sundry Creditors	21	5	1	-	2
Other Liabilities					
Total	**72**	**48**	**69**	**60**	**80**
Note 6 : Provisions					
	5	-	-	-	-
Provision for Gratuity	16	-	-	-	-
Provision for Leave Encashment	1	-	-	-	-
Provision for Fringe Benefit Tax	-	11	-	-	-
Provision for Taxation					
Total	**22**	**11**	-	-	-

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)

Significant Accounting Policies **Appendix C**

1. Basis of Preparation of Financial Statements

The financial statements are prepared on accrual basis and on historical cost convention.

The preparation of financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as of the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon the Management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Future results may vary from these estimates.

2. Fixed Assets and Depreciation

The Fixed Assets are stated at cost inclusive of freight and other incidental expenses. Improvements to leasehold premises are capitalised considering the enduring benefits.

Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for improvements to rented premises which are depreciated over the lower of the primary lease period or 5 years. Assets costing less than or equal to Rs. 5,000 each are fully depreciated in the year of purchase.

Operating software is capitalised along with computers and is depreciated at the rates applicable to computers.

3. Revenue Recognition

Revenue (including Service Tax) is recognised based on contractual obligations.

4. Investments

Current investments are valued at the lower of cost or market value. Long-term investments are valued at cost less provision for permanent diminution in value, if any.

5. Retirement and Other Benefits

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

Also refer Note 2 of Appendix D.

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.

Gratuity: 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 by LIC using the Projected Unit Credit method.

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

6. Taxes on Income

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

Deferred tax is recognized, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

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

7. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liability is disclosed for (i) possible obligations which will be confirmed

only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

8. Deferred Revenue Expenditure

Preliminary expenses are written off over a period of five years.

DBS Cholamandalam Distribution Limited
(Formerly known as Cholamandalam Distribution Services Limited)

Notes to Accounts **Appendix D (Contd…)**

1. **Adjustments to the Financial Statements**

(i) Employee Benefits

Effective April 1, 2006, the company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Application of this policy for the previous years has resulted in restatement of profits for all the five years.

(ii) Prior Period Items

Prior period adjustment comprises of income tax pertaining to a prior year which has been adjusted in the year to which it relates.

(iii) Tax Effect of Adjustments

Tax effect of adjustments comprises of the tax impact of the restatement adjustments provided at the rates applicable in the respective years.

2. **Non Adjustments to the Financial Statements**

(i) Contributions to Provident Fund

Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, the company had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Accounts for the year ended March 31, 2007 by the Board of Directors on April 23, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements in this regard due to non-availability of relevant data for the year ended March 31, 2007.

3. **Capital Commitments**

Rs. in lakhs

Particulars	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Nil					

4. **Extraordinary Items**

Rs. in lakhs

Particulars	Year Ended March 31, 2004
Provision made for change in retiral benefits scheme	-6
Total	**-6**

5. **Accounting Standard 15**

Effective 1 April 2006, the Company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), though not yet mandatory in nature.

The company contributes to the group gratuity fund based on the actuarial valuation determined as at the year end through the Life Insurance Corporation of India (LIC). However, since the LIC has certified the Consolidated Fair Value of the Plan Assets for all the companies covered under the group gratuity fund, the Fair Value of the Plan Assets for the company has been estimated by the Management and relied upon by the Auditors.

Details of Actuarial Valuation as at March 31, 2007

Particulars	Rs. in lakhs
Projected Benefit Obligation as at April 1, 2006 (Note 2)	10
Service Cost	2
Interest Cost	1
Actuarial Losses / (Gains)	2
Benefits Paid	-2
Projected Benefit Obligation as at March 31, 2007	**13**
Change in Plan Assets	
Fair Value of Plan Assets as at April 1, 2006 (Note 2)	10
Expected Returns on Plan Assets	1
Employer's Contribution	-
Benefits Paid	-2
Actuarial Gains / (Losses)	0
Fair Value of Plan Assets as at March 31, 2007	**9**
Cost of the Defined Benefit Plan for the Year	
Current Service Cost	2
Interest on Obligation	1
Expected Return on Plan Assets	1
Net Actuarial Losses / (Gains) Recognised in the Year	1
Net Cost Recognised in the Profit and Loss Account	**5**
Assumptions	
Discount Rate	7.50%
Future Salary Increase (%)	5.00%
Expected Rate of Return on Plan Assets	8.12%

Notes:

1. The expected return on plan assets is as furnished by LIC.

2. The Projected Benefit Obligation and Fair Value of Plan Assets as at April 1, 2006 relate to the proportionate balances pertaining to employees who have been transferred from the rolls of the Holding Company to the rolls of the company with service continuity benefits.

6. **Segment Reporting**

The Company's main business is to distribute financial products and services. All other activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India.

7. **Related Party Disclosures**

As per the Accounting Standard 18 on Related Party Disclosure (AS 18) issued by the Institute of Chartered Accountants of India, the related parties, as identified by the Management are as follows:

List of Related Parties:

Nature of Relationship	Name of the Company
Holding Company	Cholamandalam DBS Finance Limited
Fellow Subsidiaries	DBS Cholamandalam Securities Limited (formerly Cholamandalam Securities Limited) DBS Cholamandalam Asset Management Limited DBS Cholamandalam Trustees Limited

Details of Related Party Transactions for the Year:

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05
Income				
Commission Receipts	Cholamandalam DBS Finance Limited	3	10	23
	DBS Cholamandalam Asset Management Limited	36	92	-
Recovery of Expenses	Cholamandalam DBS Finance Limited	1	3	8
	DBS Cholamandalam Securities Limited	21	7	-
	DBS Cholamandalam Asset Management Limited	-	2	-
Expenses				
Staff Deputation Charges & Other Related Costs	Cholamandalam DBS Finance Limited	-	336	307
Rent	Cholamandalam DBS Finance Limited	20	10	5
	DBS Cholamandalam Asset Management Limited	1	-	-
Lease Rentals	Cholamandalam DBS Finance Limited	-	1	2

Transaction	Related Party	2006-07	2005-06	2004-05
Interest	Cholamandalam DBS Finance Limited	4	17	10
Reimbursement of Expenses	Cholamandalam DBS Finance Limited	35	33	16
	DBS Cholamandalam Securities Limited	1	-	-
Others				
Purchase of Fixed Assets	Cholamandalam DBS Finance Limited	-	-	1
Loans Taken	Cholamandalam DBS Finance Limited	215	-	203
Loans Settled	Cholamandalam DBS Finance Limited	135	104	-
	DSB Cholamandalam Securities Limited	-	-	-
Net Amounts Receivable as at year end	Cholamandalam DBS Finance Limited	-	1	1
	DBS Cholamandalam Securities Limited	1	4	1
	DBS Cholamandalam Asset Management Limited	-	4	1
Net Amounts Payable as at year end	Cholamandalam DBS Finance Limited	94	102	206

Note:

The related party transactions have not been presented for the years ended March 31, 2004 and 2003 since the same have not been presented in the audited financial statements of the company for those years.

8. **Deferred Tax**

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Deferred Tax Liability (A)					
Difference between Book and Tax Written Down Values	11	-	-	-	-
Deferred Tax Asset (B)					
Provision for Employee Benefits	-	9	6	5	3
Deferred Tax (Liability) / Asset - Net (A-B)	**-11**	**9**	**6**	**5**	**3**

Note:

The Company had an estimated deferred tax liability of Rs. 1,565,694 as at March 31, 2006 arising on the timing differences of book and tax depreciation. The Company also has a deferred tax asset arising on account of carry forward losses and unabsorbed tax depreciation which had been restricted to Rs. 1,565,694 on grounds of prudence. Consequently, there was no deferred tax liability on account of timing differences of book and tax depreciation.

9. **Fringe Benefit Tax**

For the year ended 31 March 2006, the Company had not provided for Fringe Benefit Tax as there were no full time employees working on the payroll of the Company for that year. In this regard, the Management has relied on CBDT Circular No. 8/2005 dated 29 August 2005 which states that the employer-employee relationship is a pre-requisite for the levy of Fringe Benefit Tax.

Consequent to the appointment of employees on the payroll of the Company during the year ended 31 March 2007, the Fringe Benefit Tax payable for this year has been accounted for.

10. **Basic and Diluted Earnings Per Share**

Rs. in lakhs

Particulars	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Net Profit as Restated	276	150	-94	55	-109
Extraordinary Items (Expenses)	-	-	-	6	-
Net Profit as Restated (Excluding Extraordinary Items)	276	150	-94	61	-109
Weighted Average Number of Shares	4,900,000	4,900,000	4,900,000	4,737,705	4,000,007
Basic and Diluted Earnings Per Share (Rs.) - Face Value of Rs.10					
- Including Extraordinary Items	5.63	3.06	-1.92	1.17	-2.73
- Excluding Extraordinary Items	5.63	3.06	-1.92	1.29	-2.73

Appendix E

DBS Cholamandalam Distribution Limited
Statement of Restated Cash Flows

Rs. in lakhs

	For the Years Ended					
	March 31, 2007		**March 31, 2006**		**March 31, 2005**	
Cash Flow from Operating Activities						
Net Profit / (Loss) Before Tax as per Audited Accounts		**316**		**196**		**-93**
Restatement Adjustments affecting Cash Flow:						
Employee Benefits	26		-9		-2	
Restated Net Profit / (Loss) Before Tax		**342**		**187**		**-95**
Adjustments for:-						
Depreciation	47		16		12	
Financing Charges	3		17		10	
Miscellaneous Expenses Written off	-		-		1	
		50		33		23
Operating Profit/(Loss)Before Working Capital Changes		392		220		-72
Adjustments for:-						
Increase in Debtors	-125		-12		-70	
Increase in Loans and Advances	-62		-26		-30	
Increase/(Decrease) in Current Liabilities	45		-21		9	
		-142		-59		-91
Cash Generated from / (Used in) Operations		250		161		-163
Direct Taxes Paid (Net)	-138		-22		10	
		-138		-22		10
Net Cash From / (Used in) Operating Activities - [A]		**112**		**139**		**-153**
Cash Flow From Investing Activities						
Purchase of Fixed Assets	-70		-20		-43	
Sale of Fixed Assets	-		1		-	
Purchase of Investments	-241		-		-24	
Sale of Investments	241		1		27	
Net Cash Used in Investing Activites - [B]		**-70**		**-18**		**-40**
Cash Flow From Financing Activities						
Borrowings Repaid During the Year (Net)	-8		-104		203	
Interest	-3		-17		-10	
Net Cash (Used in) / From Financing Activities - [C]		**-11**		**-121**		**193**
Net Increase in Cash & Cash Equivalents [A+B+C]		**31**		**-**		**-**
Cash & Cash Equivalents at the Beginning of the Year		10		10		10
Cash & Cash Equivalents at the End of the Year		41		10		10

Note : The Statement of Restated Cash Flow for the years ended March 31, 2004 and 2003 have not been furnished since no cash flow statement was presented in the audited financial statements of the company for those years.

Appendix F

DBS Cholamandalam Securities Limited
(Formerly known as Cholamandalam Securities Limited)

Statement of Restated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Income from Operations (Note 1 below)	873	707	420	514	348
Profit on Sale of Short Term Non Trade Investments	5	69	25	6	1
Other Income	71	79	35	20	17
Total Income	**949**	**855**	**480**	**540**	**366**
Staff Costs (Note 2 below)	284	186	143	120	111
Operating and Other Expenses (Note 3 below)	324	273	154	194	125
Financing Charges	2	20	8	4	18
Depreciation	64	63	51	42	42
Loss on Sale of Shares (Stock in Trade)	5	1	-	8	1
Total Expenditure	**679**	**543**	**356**	**368**	**297**
Net Profit before Taxation and Extraordinary Items	**270**	**312**	**124**	**172**	**69**
Provision for Taxation					
- Income Tax	92	101	43	61	25
- Deferred Tax	-	-	-	2	-
- Fringe Benefit Tax	2	-	-	-	-
Net Profit after Taxation before Extraordinary Items	**175**	**211**	**81**	**109**	**44**
Extraordinary Items (Refer Note 5 of Appendix I)	-	-	-	-18	-
Net Profit after Taxation and Extraordinary Items	**175**	**211**	**81**	**91**	**44**
Adjustments Due to Changes in Accounting Policies / Prior Period Items [Add / (Less)]					
Employee Benefits (Note 1(i) of Appendix I)	31	-32	-4	1	-4
Tax effect of the above adjustments (Note 1(ii) of Appendix I)	-10	11	1	-	1
Net Adjustments (Also refer Note 2 of Appendix I)	**21**	**-21**	**-3**	**1**	**-3**
Restated Net Profit After Taxation	**196**	**190**	**78**	**92**	**41**

The accompanying significant accounting policies (Appendix H) and notes to the accounts (Appendix I) form an integral part of this statement

DBS Cholamandalam Securities Limited
(Formerly known as Cholamandalam Securities Limited)

Notes to the Statement of Restated Profits and Losses

Rs. in lakhs

	For the Years Ended				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1: Income From Operations					
Brokerage on Stock Broking	738	635	356	460	251
Depository Services	66	67	64	54	36
Portfolio Management Services	60	5	-	-	-
Securities Transactions	-	-	-	0	1
Syndication Fees	9	-	-	-	60
	873	**707**	**420**	**514**	**348**
Note 2: Staff Costs					
Salary, Wages, Bonus and Commission	270	-	-	-	-
Charges for Staff / Staff on Deputation	-	178	138	116	108
Staff Welfare Expenses	14	8	5	4	3
Total before Adjustments	**284**	**186**	**143**	**120**	**111**
Adjustment for Employee Benefits (Refer Note 1(i) of Appendix I)	-31	32	4	-1	4
Total after Adjustments	**253**	**218**	**147**	**119**	**115**
Note 3: Operating and Other Expenses					
Rent and Electricity Charges	50	28	17	15	17
Rates and Taxes	38	54	39	46	26
Business Development Expenses	16	49	-	-	-
Brokerage Paid	36	-	-	-	-
Communication Expenses	28	23	16	12	13
Travelling and Conveyance	27	14	8	6	7
Printing and Stationery	8	9	6	5	6
Insurance	4	3	2	2	2
Repairs and Maintenance	21	13	7	8	8
Subscription	8	14	12	9	10
Auditors' Remuneration	3	3	2	3	1
Information Technology Expenses	22	9	6	4	9
Equipment Recovery Charges	4	5	8	11	9
Bad Debts	-	-	3	59	3
Outsourcing Expenses	41	14	8	2	-
Professional Charges	12	27	8	2	-
Loss on sale of Assets	3	-	-	-	-
Mark to Market Provision on Equity Derivatives	-	-	-	1	-
Miscellaneous Expenses	3	4	8	5	10
Miscellaneous Expenditure Written off	-	4	4	4	4
	324	**273**	**154**	**194**	**125**

DBS Cholamandalam Securities Limited
(Formerly known as Cholamandalam Securities Limited)

Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Assets					
Fixed Assets (Note 1 below)					
Gross Block	638	591	558	512	493
Less : Depreciation	381	319	258	207	164
Net Block	257	272	300	305	329
Investments (Note 2 below)	630	-	2	2	40
Current Assets, Loans and Advances					
Stock in Trade (Note 3 below)	-	-	-	2	-
Sundry Debtors (Note 4 below)	348	874	318	246	118
Cash and Bank Balances (Note 5 below)	922	764	204	372	157
Other Current Assets (Note 6 below)	8	2	1	5	-
Other Loans and Advances (Note 7 below)	382	390	222	389	136
Total Current Assets, Loans and Advances	1,660	2,031	745	1,014	411
Total (A)	**2,547**	**2,302**	**1,047**	**1,321**	**780**
Liabilities and Provisions					
Unsecured Loans					
Short Term Loans and Inter-Corporate Deposits	-	-	23	-	-
Total Unsecured Loans	-	-	23	-	-
Deferred Tax Liability (Refer Note 9 of Appendix I)	**53**	**43**	**54**	**54**	**52**
Current Liabilities and Provisions					
Current Liabilities (Note 8 below)	1,311	1,172	339	663	215
Provisions (Note 9 below)	36	23	18	14	19
Total Current Liabilities and Provisions	1,347	1,195	356	677	234
Total (B)	**1,400**	**1,238**	**433**	**731**	**286**
Net Worth (A-B)	**1,147**	**1,064**	**614**	**590**	**494**
Represented By:					
Share Capital					
Equity Shares	1,000	1,000	600	300	300
Preference Shares	-	-	-	300	300
Total Share Capital	1,000	1,000	600	600	600
Reserves and Surplus					
General Reserve	8	8	-	-	-
Balance in Profit and Loss Account	139	56	18	-2	-94
Total Reserves and Surplus	147	64	18	-2	-94
Miscellaneous Expenditure	-	-	-4	-8	-12
Net Worth	**1,147**	**1,064**	**614**	**590**	**494**

The accompanying significant accounting policies (Appendix H) and notes to the accounts (Appendix I) form an integral part of this statement

DBS Cholamandalam Securities Limited
(Formerly known as Cholamandalam Securities Limited)

Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 1: Fixed Assets (Cost)					
Computers					
Gross Block	152	116	103	84	80
Accumulated Depreciation	92	79	67	57	48
Net Block	60	38	36	27	32
Office Equipment					
Gross Block	10	10	9	7	4
Accumulated Depreciation	3	3	2	1	1
Net Block	7	8	7	6	3
Furniture and Fixtures					
Gross Block	12	14	12	10	6
Accumulated Depreciation	4	4	3	2	2
Net Block	8	9	9	8	4
Air Conditioners					
Gross Block	6	6	6	6	6
Accumulated Depreciation	2	2	2	2	1
Net Block	3	3	4	4	5
Vehicle					
Gross Block	10	3	3	3	3
Accumulated Depreciation	1	1	1	1	0
Net Block	10	2	2	2	3
Stock Exchange Membership Cards					
Gross Block	343	343	343	343	343
Accumulated Depreciation	209	173	137	114	92
Net Block	134	170	206	229	251
Computer - Software					
Gross Block	105	100	82	59	52
Accumulated Depreciation	70	58	45	30	21
Net Block	35	42	36	29	31
Total					
Gross Block	**637**	**591**	**558**	**512**	**493**
Accumulated Depreciation	**381**	**319**	**258**	**207**	**165**
Net Block	**257**	**272**	**300**	**305**	**329**

DBS Cholamandalam Securities Limited
(Formerly known as Cholamandalam Securities Limited)

Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 2: Investments					
Investments in Mutual Funds of Rs. 10 each					
DBS Chola Short Term Floating Rate Fund - Daily Dividend Reinvestment Plan	630	-	-	-	-
Chola Liquid Fund	-	-	-	-	40
Chola Gilt PF Plan-Cumulative	-	-	1	1	-
Chola Gilt PF Plan-Quarterly Dividend	-	-	1	1	-
Total	**630**	**-**	**2**	**2**	**40**
Note 3: Stock in Trade					
Quoted - Equity Shares					
Geojit Securities Limited	-	-	-	-	-
Precision Fasteners Limited	-	-	-	-	-
Khandelwal Securities Limited	-	-	-	-	-
Rinki Petro Limited	-	-	-	-	-
Biocon Limited	-	-	-	2	-
	-	-	-	2	-
Note 4: Sundry Debtors					
Unsecured - Considered Good					
- Debts Outstanding for a Period Exceeding Six Months	-	-	4	2	2
- Other Debts	348	874	315	244	116
	348	874	318	246	118
Note 5: Cash and Bank Balances					
Cash and Cheques on Hand	-	-	-	-	-
Balances with Scheduled Banks on					
- Current Account	670	362	64	184	28
- Deposit Account					
- Free of Lien	25	200	-	188	129
- Under Lien	228	203	140	-	-
	922	764	204	372	157

DBS Cholamandalam Securities Limited
(Formerly known as Cholamandalam Securities Limited)

Notes to the Statement of Restated Assets and Liabilities

Rs. in lakhs

	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Note 6: Other Current Assets					
Unsecured - Considered Good					
Interest and Other Income Accrued But Not Due -					
- On Loans to Borrowers	-	-	1	5	-
- On Deposits and Investments	8	2	-	-	-
	8	2	1	5	-
Note 7: Other Loans and Advances					
Unsecured - Considered Good					
Advances Recoverable in Cash or in Kind or for Value to be Received	131	258	103	216	8
Deposits	154	83	83	159	89
Advance Payment of Tax and Tax Deducted at Source	97	50	36	13	24
Dues from Holding Company	-	-	-	1	15
	382	**390**	**222**	**389**	**136**
Note 8: Current Liabilities					
Sundry Creditors					
- Due to Client and Stock Exchanges	1,231	1,098	313	623	187
- Others	79	74	26	40	28
	1,311	**1,172**	**339**	**663**	**215**
Note 9: Provisions					
Provision for Leave Encashment and Gratuity	18	11	-	-	-
Provision for Income Tax	5	12	11	14	19
Distribution Tax on Proposed Dividend	14	-	7	-	-
	36	**23**	**18**	**14**	**19**

Significant Accounting Policies

1.1 Basis of Preparation of Financial Statements

The financial statements have been prepared in all material aspects with reference to generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956.

1.2 Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon the Management's evaluation of the relevant facts and circumstances as of the date of financial statements. Future results may vary from these estimates.

1.3 Revenue Recognition

Brokerage on stock broking is recognized as per contractual obligations.

1.4 Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation on fixed assets is provided as follows:

Fixed assets are depreciated on a Straight Line Method at the rates prescribed by Schedule XIV to the Companies Act, 1956 except the following :

a) Stock Exchange Membership Cards are amortised over the estimated useful life of the same.

b) Partitions - depreciated over a period of five years.

c) Computer software - depreciated over a period of six years.

Depreciation charge on additions / deletions is restricted to the period of use. Assets costing Rs.5,000 or less are fully depreciated in the year of addition.

1.5 Stock-in-trade

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

1.6 Investments

Long term Investments are stated at cost with provision where necessary for diminution in value, other than temporary in the value of investments.

Current Investments are valued at lower of cost and market price.

Significant Accounting Policies

1.7 Retirement and Other Benefits

Provident Fund: Contributions are made to the Company's Employees Provident Fund Trust in accordance with the fund rules.

Also refer Note 2 of Appendix I.

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.

Gratuity: 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 by LIC using the Projected Unit Credit method.

1.8 Taxes on Income

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Deferred tax is accounted for by computing the tax effect of the timing differences, which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only if there is a virtual certainty that they will be realised in the foreseeable future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

1.9 Miscellaneous Expenditure

Expenditure relating to website development is amortised over a period of five years.

DBS Cholamandalam Securities Limited **Annexure I**
(formerly known as Cholamandalam Securities Limited)

Notes to Accounts

1. Adjustments to the Financial Statements

(i) Employee Benefits

Effective April 1, 2006, the company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India, though not yet mandatory in nature. Application of this policy for the previous years has resulted in restatement of profits for all the five years.

(ii) Tax Effect of Adjustments

Tax effect of adjustments comprises of the tax impact of the restatement adjustments provided at the rates applicable in the respective years.

2. Non Adjustments to the Financial Statements

Contributions to Provident Fund

(i) Pursuant to the early adoption of Accounting Standard (AS) 15 on Employee Benefits (revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) with effect from April 1, 2006, the company had considered its contribution to the Employee Provident Fund Trust as being in the nature of contributions to a defined contribution scheme though it has an obligation to meet the shortfall, if any, in the specified return on the contribution. Subsequent to the adoption of the Accounts for the year ended March 31, 2007 by the Board of Directors on April 23, 2007, the Accounting Standards Board (ASB) of ICAI has issued the Guidance on Implementing Accounting Standard (AS) 15, Employee Benefits (revised 2005) as per which the ASB has clarified that provident fund set up by employers which require interest shortfall to be met by the employer would be in effect a defined benefit plan in accordance with the requirements of paragraph 2(b) of AS 15. However, no adjustment has been made in these financial statements in this regard due to non-availability of relevant data for the year ended March 31, 2007.

3. Capital Commitments

Rs. in lakhs

Particulars	As at				
	March 31, 2007	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid)	-	-	-	11	-

.

4. Contingent Liabilities

a) Bank Guarantees outstanding –

Rs. in lakhs

As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
455	405	220	220	178

b) Contested Claims not provided for --

Rs. in lakhs

Particulars	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Income Tax matters where the company is in appeal	81	37	18	27	Nil

5. Extraordinary Items

The Extraordinary Items amounting to Rs. 18 lakhs as disclosed in the Audited Accounts for the year ended March 31, 2004 comprises:

Rs. in lakhs

Particulars	Year Ended March31, 2004
Provision made for change in retiral benefits scheme.	-18
Total	**-18**

6. Accounting Standard 15

Effective 1 April 2006, the Company adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits, issued by the Institute of Chartered Accountants of India (ICAI), though not yet mandatory in nature.

The company contributes to the group gratuity fund based on the actuarial valuation determined as at the year end through the Life Insurance Corporation of India (LIC). However, since the LIC has certified the Consolidated Fair Value of the Plan Assets for all the companies covered under the group gratuity fund, the Fair Value of the Plan Assets for the company has been estimated by the Management and relied upon by the Auditors.

Notes to Accounts

Details of Actuarial Valuation as at March 31, 2007

Particulars	Rs. In lakhs
Projected Benefit Obligation as at April 1, 2006 (Note 2)	6.59
Service Cost	1.45
Interest Cost	0.58
Actuarial Losses / (Gains)	-0.85
Benefits Paid	-0.99
Projected Benefit Obligation as at March 31, 2007	**6.79**
Change in Plan Assets	-
Fair Value of Plan Assets as at April 1, 2006 (Note 2)	6.59
Expected Returns on Plan Assets	0.54
Employer's Contribution	-
Benefits Paid	-0.99
Actuarial Gains / (Losses)	0.18
Fair Value of Plan Assets as at March 31, 2007	**6.31**
Cost of the Defined Benefit Plan for the Year	**-**
Current Service Cost	1.45
Interest on Obligation	0.58
Expected Return on Plan Assets	-0.54
Net Actuarial Losses / (Gains) Recognised in the Year	-1.03
Net Cost Recognised in the Profit and Loss Account	**0.47**
Assumptions	
Discount Rate	7.50%
Future Salary Increase (%)	5.00%
Expected Rate of Return on Plan Assets	8.12%

Notes:

1. The expected return on plan assets is as furnished by LIC.

2. The Projected Benefit Obligation and Fair Value of Plan Assets as at April 1, 2006 relate to the proportionate balances pertaining to employees who have been transferred from the rolls of the Holding company to the rolls of the Company with service continuity benefits.

7. Related Party Disclosures

As per the Accounting Standard 18 on Related Party Disclosure (AS 18) issued by the Institute of Chartered Accountants of India, the related parties, as identified by the Management are as follows:

List of Related Parties:

Holding Company	Cholamandalam DBS Finance Limited
Fellow Subsidiaries	DBS Cholamandalam Asset Management Limited DBS Cholamandalam Distribution Limited DBS Cholamandalam Trustees Limited

Notes to Accounts

Details of Related Party Transactions for the Year:

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05
Interest Payments	Cholamandalam DBS Finance Limited	-	11	4
Dividend Payment	Cholamandalam DBS Finance Limited	100	125	51
Rent Payments	Cholamandalam DBS Finance Limited	23	4	4
Payments for Services Rendered	Cholamandalam DBS Finance Limited	-	183	138
Receipts for Services Rendered	Cholamandalam DBS Finance Limited	11	11	7
Purchase of Assets	Cholamandalam DBS Finance Limited	-	-	1
Waiver - Rights to Arrears of Preference Dividend	Cholamandalam DBS Finance Limited	-	-	116
Reimbursement of Expenses-Payments	Cholamandalam DBS Finance Limited	21	22	12
	DBS Cholamandalam Distribution Limited	21	7	-
	DBS Cholamandalam Asset Management Limited	1	-	-
Reimbursement of Expenses –Receipts	Cholamandalam DBS Finance Limited	1	0	-
	DBS Cholamandalam Distribution Limited	1	-	-
Net Amounts Due (Payable)/Receivable	Cholamandalam DBS Finance Limited	-6	-	-23
	DBS Cholamandalam Distribution Limited	-1	-4	-1

Note:

The related party transactions have not been presented for the years ended March 31, 2004 and 2003 since the same have not been presented in the audited financial statements of the company for those years.

8. Basic and Diluted Earnings Per Share

Rs. in lakhs

Particulars	For the Years Ended				
	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Net Profit as Restated	196	190	78	92	41
Extraordinary Items (Expenses)	-	-	-	18	-
Net Profit as Restated (Excluding extraordinary Items)	196	190	78	110	41
Weighted Average Number of Shares	10,000,014	9,320,562	3,550,693	3,000,007	3,000,007
Basic and Diluted Earnings Per Share (Rs.) - Face Value of Rs.10					
- Including Extraordinary Items	1.96	2.04	2.20	3.07	1.37
- Excluding Extraordinary Items	1.96	2.04	2.20	3.67	1.37

Notes to Accounts

9. Deferred Tax Liability

Rs. in lakhs

Particulars	As at				
	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Deferred Tax Liability					
Difference between Book and Tax Written Down Values	58	58	57	57	57
Unamortised Website Expenditure	-	-	1	3	4
Total (A)	**58**	**58**	**58**	**60**	**61**
Deferred Tax Asset					
Provision for Employee Benefits	5	15	4	3	3
Capital Loss Carried Forward	-	-	-	3	6
Total (B)	**5**	**15**	**4**	**6**	**9**
Net Deferred Tax Liability (A-B)	**53**	**43**	**54**	**54**	**52**

10. Change in Accounting Estimate

Upto March 31, 2005, the Company was moritising the Membership Card of Madras Stock Exchange Limited over a period of fifteen years. During the year, the Company has revised the useful life as 12 years.

11. Bad Debts

Bad Debts for the year ended March 31, 2004 represents an amount of Rs. 59 lakhs written off as a result of unauthorized transactions contracted by an employee of the Company.

12. Details of Futures Contracts Outstanding at March 31, 2004 for Stock Futures

Name of the Stock Futures	No. of Contracts	No. of Units – Short
Oil and Natural Gas Corporation Limited	13	3,900

There are no futures contracts outstanding as at the end of the other financial years.

13. Details of Options Contracts Outstanding at March 31, 2004 for each Stock Options

Name of the Stock Futures	Total Premium Carried Forward as at March 31, 2004 Net of Provisions Made (Rs.)
Oil and Natural Gas Corporation Limited	3,870

There are no options contracts outstanding as at the end of the other financial years.

Appendix J

DBS Cholamandalam Securities Limited
(Formerly knowm as Cholamandalam Securities Limited)

Statement of Restated Cash Flows

Rs. in lakhs

Particulars	For the Years Ended					
	March 31, 2007		March 31, 2006		March 31, 2005	
Cash Flow from Operating Activities						
Net Profit before Tax as per Audited Accounts		270		312		124
Restatement Adjustments affecting Cash Flow:						
Employee Benefits	31		-32		-4	
Restated Net Profit Before Tax		**301**		**280**		**120**
Adjustments for:						
Depreciation	64		63		51	
Provision for Leave Encashment	7		11		-	
Miscellaneuos Expenditure Written off	-		4		4	
Finance Charges	2		20		8	
Loss on Sale of Fixed Assets	3		0		0	
Profit on Sale of Investments	-5		-69		-25	
Dividend Received	-26		-4		-	
Interest Received	-32		-59			
Liability No Longer Required Written Back	6	20	2	-31	-18	20
Operating Profit before Working Capital Changes		321		249		140
Adjustments for:						
Decrease in Stock	-		-		2	
Decrease / (Increase) in Trade and Other Receivables	556		-773		165	
Increase / (Decrease) in Current Liabilities	137	693	829	56	-325	-158
Cash Generated from / (Used in) Operating Activities		1,013		305		-18
Direct Taxes Paid		-149		-114		-70
Net Cash From / (Used in) Operating Activities (A)		**865**		**191**		**-88**
Cash Flow from Investing Activities						
Purchase of Fixed Assets	-59		-35		-45	
Sale of Fixed Assets	2		2		0	
Purchase of Investments	-4,487		-6,065		-2,263	
Sale of Investments	3,862		6,137		2,288	
Dividend Received	26		4		-	
Net Cash (Used in) / From Investing Activities (B)		**-656**		**42**		**-19**
Cash Flow from Financing Activities						
Redemption of Preference Shares					300	
Increase in Equity Share Capital	-		400		-300	
Finance Charges	-2		-20		-8	
Repayment of Loan						
(Increase)/Decrease in Short Term Loan to Holding	-		-23		23	
Company	26		58		22	
Interest Received	-100		-125		-51	
Dividend Paid	-		-24			
Dividend Distribution Tax		**-76**		**265**		**-13**
Net Cash (Used in) / From Financing Activities (C)		132		498		-120
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)		562		64		184
Cash & Cash Equivalents at the Beginning of the Year		695		562		64
Cash & Cash eqivalents at the End of the Year						
Cash & Cash Equivalents		922		764		204
At the End of the Year as per Balance Sheet		228		203		140
Less: Bank Deposits held for More than Three Months		695		562		64

Note: The Statement of Restated Cash Flows has not been presented for the years ended March 31, 2004 and 2003 since no cash flow statement was presented in the audited financial statements of the Company for those years.

RELATED PARTY TRANSACTIONS

Annexure VIII

Cholamandalam DBS Finance Limited

Statement of Related Party Transactions

As per the Accounting Standard 18 on Related Party Disclosure (AS 18) issued by the Institute of Chartered Accountants of India, the related parties, as identified by the Management are as follows:

List of Related Parties:

- **Companies holding Substantial Interest in Voting Power**: Tube Investments of India Limited and DBS Bank Limited, Singapore (from January 3, 2006)
- **Subsidiaries**: DBS Cholamandalam Asset Management Limited, Cholamandalam Securities Limited, DBS Cholamandalam Distribution Limited, and DBS Cholamandalam Trustees Limited
- **Associate** : Cholamandalam Factoring Limited (upto June 30, 2005)
- **Joint Venture** : Cholamandalam MS Risk Services Limited (upto January 3, 2006)
- **Key Management Person**: Mr. Atul Pande (from April 1, 2006)
  Mr. M Anandan (upto March 31, 2006)
  Mr.Partho Datta (upto March 31,2004)

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Dividend Receipts	Tube Investments of India Limited	-	-	-	-	-
	Cholamandalam Securities Limited	100	125	51	-	-
	Cholamandalam Factoring Limited	NA		3	2	-
Dividend Payments	Tube Investments of India Limited	587	926	-	615	745
	DBS Bank Limited	730	-	NA	NA	NA
	Key Management Person	-	2	-	2	1
Interest Receipts	DBS Cholamandalam Asset Management Limited	-	-	-	-	-
	Cholamandalam Securities Limited	-	11	4	2	3
	DBS Cholamandalam Distribution Limited	4	17	10	3	5
	Cholamandalam Factoring Limited	NA	2	11	18	-
	Key Management Person	-	-	-	-	-
Interest Payments	Cholamandalam Securities Limited	-	-	-	1	4
Rent (including hiring) Receipts	Cholamandalam Securities Limited	23	4	4	11	-
	DBS Cholamandalam Distribution Limited	20	10	5	14	17
	DBS Cholamandalam Asset Management Limited	51	-	-		1
	Cholamandalam MS Risk Services Limited	NA	-	-	-	1
Rent Payments	Tube Investments of India Limited	-	-	-	18	22
	Relative of Key Management Person *	-	4	4	3	3
	DBS Cholamandalam Asset Management Limited	-	-	-	1	8
Rent deposit	Relative of Key Management Person *	-	-	-	3	-
Receipt of Lease Rentals	DBS Cholamandalam Distribution Limited	-	1	2	12	12
Payments for Services Rendered	Cholamandalam Securities Limited	11	11	7	2	60
	DBS Cholamandalam Distribution Limited	3	10	23	38	52
Receipts for Services Rendered	Cholamandalam Securities Limited	-	183	138	115	108
	DBS Cholamandalam Distribution Limited	-	336	307	173	164
	DBS Cholamandalam Asset Management Limited	-	5	3	29	22
	Cholamandalam MS Risk Services Limited	NA	-	2	-	-
	Cholamandalam Factoring Limited	NA	-	-	-	-
Purchase of Fixed Assets	Cholamandalam Securities Limited	-	-	-	-	3
	DBS Cholamandalam Distribution Limited					-
	DBS Cholamandalam Asset Management Limited					-
Sale of Fixed Assets	Cholamandalam Securities Limited			1	-	
	DBS Cholamandalam Distribution Limited		-	1	-	
Sale of Intangible Assets (Copyright)	Tube Investments of India Limited	-	-	-		
Sale of Investments	Tube Investments of India Limited	-	1,649	-		
Advances/ Deposits Given	DBS Cholamandalam Distribution Limited	215	-	203		
	Tube Investments of India Limited	1	-			
	DBS Cholamandalam Asset Management Limited	-	-			
Advances/Deposits Recovered	DBS Cholamandalam Distribution Limited	135	104	-		
Subscription of Equity Shares	DBS Cholamandalam Asset Management Limited	2,000	-	500		
	DBS Cholamandalam Distribution Limited - Rs.70 only	-	-	-	-	-
	Cholamandalam Securities Limited - Rs.140 only	-	-	-	-	-
	DBS Cholamandalam Trustee Limited - Rs.70 only	-	-	-	-	-
Redemption of Preference Shares	DBS Cholamandalam Asset Management Limited	750	-			
Waiver of Rights to Arrears of Preference Dividend	DBS Cholamandalam Asset Management Limited	-	338	-	-	-
	Cholamandalam Securities Limited	-	-	116	-	-

Cholamandalam DBS Finance Limited

Statement of Related Party Transactions

Rs. in lakhs

Transaction	Related Party	2006-07	2005-06	2004-05	2003-04	2002-03
Remuneration	Key Management Person (Mr Atul Pande)	111	NA	NA	NA	NA
	Key Management Person (Mr M Anandan)	NA	107	89	156	119
Asset given on lease - Unmatured Instalments	DBS Cholamandalam Distribution Limited	-	-	-	4	14
Expenses –Reimbursed	Tube Investments of India Limited	1	87	-		
	DBS Cholamandalam Distribution Limited	1	3	8		
	Cholamandalam Securities Limited	-	-	-		
	DBS Cholamandalam Asset Management Limited	4	-	4		
	DBS Bank Limited	33		NA	NA	NA
Amounts Received towards	Tube Investments of India Limited	1	2	2		
Reimbursements of Expenses	DBS Cholamandalam Distribution Limited	35	33	16		
	DBS Cholamandalam Asset Management Limited	21	26	41		
	Cholamandalam MS Risk Services Limited	NA	24	20		
	Cholamandalam Securities Limited	21	22	12		
	Cholamandalam Factoring Limited	NA		10		
Debentures (Subordinated Debt issued)	DBS Bank Limited	1,100	-	NA	NA	NA
Director's Sitting Fees and Commission	DBS Limited	2	-	NA	NA	NA
Net Amounts Receivable/ (Due) as at Year end	Cholamandalam Securities Limited	6	-	23	(1)	(15)
	Tube Investments of India Limited	-	-	-	6	-
	DBS Cholamandalam Distribution Limited	-	(1)	(1)	-	-
	DBS Cholamandalam Distribution Limited	94	102	206	3	116
	DBS Cholamandalam Asset Management Limited	17	7	19	1	94
	DBS Bank Limited	(1,130)	-	NA	NA	NA
	Cholamandalam Factoring Limited	NA	93	155	169	241
	Cholamandalam MS Risk Services Limited	NA	-	3	8	-
	Key Management Person	-	-	-	9	10
	Relative of Key Management Person *	-	3	3	3	-

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

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this report, along with the section titled "Selected Financial Information" beginning on page 5 of this Letter of Offer. You should also read the section titled "Risk Factors" beginning on page x, which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

The following discussion is based on our unconsolidated financial statements as restated, which have been prepared in accordance with Indian GAAP, the RBI Guidelines and SEBI Guidelines. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year. Our historical financial performance may not be considered as indicative of future financial performance. All the financials in this chapter have been derived from our audited financial statements as restated.

We are a south India based non-banking finance company focused on the retail asset financing and have a managed asset base of Rs. 4,485 crores. We have a presence across 18 states in India, and are a part of the Murugappa Group, a Rs.8,500 crore business conglomerate consisting of 29 companies and having a combined employee strength of 28,000 with interests in engineering, abrasives, sanitary ware, fertilizers, finance, bio products and plantations. The Murugappa Group has forged joint venture alliances with international companies like Roca of Spain, Cargill of Geneva, Cerdak of South Africa, Jingri Diamond Industrial Company of China, DBS Bank of Singapore, Mitsui Sumitomo of Japan and Groupe Chimique Tunisien of Tunisia and has consolidated its status as one of the fastest growing diversified business house in India.

The Company was incorporated as a public limited company on August 17, 1978. We are a registered non-banking finance company (NBFC) in terms of Section 45 IA of the Reserve Bank of India Act, 1934. We commenced our operations by offering equipment finance through lease and hire purchase finance to corporate entities. Vehicle finance operations were commenced in 1993 – 94, to broad base the product portfolio and to participate in the burgeoning retail finance business. Further, the Company also entered in mid 90's the corporate and mortgage finance product which caters to the corporates, promoters and high networth individuals (HNI) clientele by offering finance against shares, secured finance for working capital requirements and loan against property. Early 2006, the Company entered personal loans business, an unsecured product and in January 2007 it entered the home equity business, for finance against the security of properties.

The Company has been a deposit accepting NBFC until recently. However, over the past few years, investors have been opting for mutual funds and bank deposits due to better returns, liquidity as well as tax benefits. Consequently, as the public deposit schemes were losing its attractiveness, the Company chose to exit from deposit taking activities. Effective November 1, 2006 the Company changed its status with necessary Board and RBI approvals and obtained a new Certificate of Registration from the RBI as a ND-NBFC bearing registration number B-07.00306 dated December 11, 2006. The Company has been further sub-classified as a loan company. Pursuant to the Company obtaining a fresh Certificate of Registration from RBI the Company, as per the advice of the RBI, deposited Rs 7,687.74 lakhs being the fixed deposit amount lying with the Company to a separate Escrow account and continues to service depositors and repay matured deposits from time to time out of the funds in the escrow account.

The Company has also diversified into related financial products and services like mutual funds, financial advisory, general insurance distribution and stock broking through its subsidiaries DBS Cholamandalam Asset Management Ltd, DBS Cholamandalam Trustees Ltd, DBS Cholamandalam Distribution Ltd and DBS Cholamandalam Securities Ltd.

The Company's goal is to be the preferred provider of retail financing products and services having presence all over India by positioning ourselves between the organised banking sector and local money lenders, offering our customers competitive, flexible and speedy loan services.

As of August 31, 2007, we have been able to expand our branch network to over 200 locations spread across 18 states in India. During the period ended August 31, 2007, the cumulative number of customer contracts entered into grew from 200,000 to 240,000.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Several factors affect our results of operations that may make it difficult to predict future financial results based on past performance. Some of the key factors affecting our operations include, interest rate movements, ability to maintain low costs of funds, ability to maintain low operating cost, the demand for consumer finance and the rising competition being faced by the advent of several large banks in the retail sector. Hence, for ease of understanding the discussion of our results of operations, you should consider the relevance of factors detailed below.

Interest Rate Volatility

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

Our business is vulnerable to interest rate risk and volatility in interest rates which could adversely affect our income from our operations and our financial performance and adversely affect our profitability. Our income from financing activity which represents interest earned on automobile financing, consumer financing ,income on Investments including interest on fixed deposits and upfront fee collected on account of these transactions, less the financing Charges constituted 51.28% of our total income for Fiscal 2007.

Interest rates are volatile and are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced volatility. Most of our assets earn fixed interest income while our liabilities are exposed to interest rate fluctuations since they are not fully matched with a similar tenure as the assets. Hence any increase in interest rates on our liabilities, may not be matched with a corresponding increase in interest rates on the assets financed by us. This may result in a net decline in our net interest income. Furthermore in the event of rising interest rates our customers who usually pay a fixed interest rate may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans with us if they are able to switch to more competitively priced loans offered by our competitors. In addition, potential customers may be deterred from entering into any financing arrangements in an increasing interest rate scenario. Any inability on our part to retain or attract customers as a result of rising interest rates may adversely affect our earnings in future.

Considering the volatility of interest rates in the market, the Company's strategy is to optimize its borrowings between short term and long term debts as well as floating and fixed rate instruments. Our liabilities have a fair mix of short term and long term loans, which help us hedge the volatility in interest rates. However, any sharp movement in the interest rates may affect our short term borrowing cost adversely. Similarly any decline in the lending rate offered by competitors could result in us having to drop our rates which can adversely affect our yields, which would have negative impact on our profitability and our results of operations.

To mitigate the interest rate fluctuations, the home equity and the Corporate and mortgage finance products are offered on floating rates, which are repriceable every quarter in line with the prevailing rates in the market.

Demand for vehicle finance

Our vehicle finance business contributed 59.25% and 75.26% of our total income of the standalone company for the Fiscal 2007 and Fiscal 2006, respectively. Although our strategy is to actively grow our other lines of business including personal loan, corporate / mortgage finance and home equity loans, our vehicle finance business will continue to constitute a significant portion of our revenues and operating profit and any lack of demand in automobile sector or decline in our vehicle finance business will have a material adverse affect on our financial condition and operating results and may in addition hamper the Company's future growth.

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

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

Hence, any adverse impact of any of the conditions above can result in a decline in the sales of vehicles in India which in turn could result in lower disbursals for vehicle finance by our Company. In case of such a scenario, we may be forced to expand our operations to other products that we are currently offering or look at new segments in which we are not experienced or which may require us to incur additional cost.

Ability to maintain low cost of funds

One of our strengths lies in our ability to raise funds at lower rates. Our average cost of funds (Financing charges divided by simple average of opening and closing loan funds) for the fiscal 2006 and 2007 was 6.56% and 7.69%, respectively. With the growth of our business, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors including our ability to maintain our credit ratings. The company's short-term instruments carry the highest rating. We have obtained a credit rating P1+ from CRISIL upto Rs. 750 crores, A1+ rating from ICRA upto Rs. 200 crores. The company continued to retain the MAA+ rating from ICRA for fixed deposits and non-convertible debentures (NCD), FAA rating from CRISIL for fixed deposits indicating high safety. During the year, ICRA retained its positive outlook on the ratings. The rating indicates that the prospect of timely servicing of the interest and principal as per terms is the best. While our borrowing costs have been competitive in the past due to our ability to structure innovative debt products, credit rating and the quality of our asset portfolio, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. An increase in our cost of funds may put additional pressures on our margins and may adversely impact our business, our future financial performance and the price of our Equity Shares.

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

Ability to maintain low operating cost

Our operations are centrally controlled out of registered office situated in Chennai. From our centralised office we provide the operational support and handle transaction processes, and with most of our key business processes being managed in-house, historically we have been able to operate at lower operating costs efficiently. Our operating and other expenses including staff cost and business origination outsourcing expenses as percentage of our gross total income for the fiscal 2006 and 2007 was 22.90% and 31.80%, respectively. As we expand, we may be required to outsource some of our non-core activities in order to manage growth and scalability – for e.g. we have outsourced some of our non-core activities like verification, business sourcing, repossession and data entry. Outsourcing of some of the activities could result in increasing our operating cost, which could have negative impact on our profitability.

Credit quality, write-offs and provisions

The credit quality of our loans is a key driver of our profitability, as good quality loans help reduce the risk of losses from loan impairment. We have been able to maintain the quality of our asset portfolio in the past on the basis of internal controls and policies. The RBI norms for classifying an asset as a non-performing asset in case of a loan, are where the installment / interest has remained overdue for a period of six months or more and in case of hire purchase finance / lease asset, where the installment / rental has become overdue for a period of 12 months or more. As of March 31, 2005, 2006 and 2007, our gross NPAs were Rs. 2,747.26 lakhs, Rs. 2,355.68 lakhs and Rs. 2,293.27 lakhs (excluding deemed gross sub-standard assets of Rs 3,812.00 lakhs), respectively, while our net NPA were Rs. 2,277.79 lakhs, Rs. 1,241.47 lakhs and Rs. 1,376.20 lakhs

(excluding deemed net sub-standard assets of Rs 3,430.80 lakhs) , i.e., 1.50%, 0.65% and 0.41% respectively of total assets financed. We expect the size of our loan assets to continue to increase in the future as we expand our branch network in India and offer new products and going forward, we may have additional NPAs. Our level of NPAs is a function of our credit quality, which is further dependent upon our credit appraisal processes and recovery procedures. In addition, whilst we shall continue to provide loans in the future and increase our loan portfolio, we believe that our provisions for non-performing assets are adequate to cover identified losses in our asset portfolio. If we suffer from increases in the level of final credit losses, or in the event we are not able to maintain the asset quality this may result in increase in the level of non-performing assets, which would adversely affect our future financial performance.

Macroeconomic factors in India

Macroeconomic factors in India such as interest rates, growth of the Indian economy and the political and economic environment, have a direct significant impact on our business, results of operations and financial condition. The Indian economy has shown sustained growth over the last few years with real GDP growing at 9.2% in the fiscal 2007, 9.0% in the fiscal 2006 and, 6.5% in fiscal 2005. Agriculture is the most important sector of the Indian economy any slowdown in the growth of the agricultural sector would adversely impact the growth of Indian economy which would adversely affect our performance, the growth of our business including our ability to grow our asset portfolio, the quality of our assets, our future financial performance, our shareholders' funds, our ability to implement our strategy.

Regulatory environment in India

We are a non-deposit accepting NBFC and a loan company based on our principal activity as evidenced from our assets / income pattern. Our business activities are governed by the RBI regulations applicable to non-deposit accepting NBFCs. We are presently required by the RBI to maintain a minimum capital adequacy of 10%, (consisting of Tier I and Tier II capital), of our aggregate risk weighted assets and risk adjusted value of off-balance sheet items. Further the total of Tier II capital, at any point of time, shall not exceed one hundred per cent of Tier I capital.

Any changes in the regulatory framework affecting NBFCs including the provisioning for NPAs or capital adequacy requirements could adversely affect our profitability and consequently our net worth. Any additional requirements, for example in relation to securitization, accessing foreign funds or lending restrictions imposed on banks' lending to NBFCs could adversely affect our growth.

Ability to compete with the banking sector

We have been facing competition, particularly from the banking sector and our growth will depend on our ability to compete effectively. We play an active role in providing credit to the unorganized sector and small consumers at the local level. However, several foreign banks in India and Indian banks have over the last few years entered retail lending in a focused manner, increasing the competition in this segment. As the banks have access to lower cost funds, wider network and greater resources than we do, our performance would be dependent on our ability to maintain low cost of funds and our ability to provide effective and quick service to our customers. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans.

While we believe that we have historically been able to offer competitive interest rates for our loans, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer the same at rates that are lower than ours. . In such a situation retaining our customers will depend on our ability to offer competitive rates failing which we may lose existing as well as potential customers to such competitors resulting in a decline of our market share, which may in turn impact our revenues and margins

OVERVIEW OF OUR RESULTS OF OPERATIONS FOR FISCAL 2003, 2004, 2005, 2006 AND 2007

The following table sets forth certain information with respect to our income, expenditures and profits, for the periods indicated.

Rs. In lakhs

	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Income from Operations	41,212	22,145	21,792	23,407	23,720
Other Income (Non recurring)	169	137	7	1	12
Total	41,381	22,282	21,799	23,408	23,732
Staff Cost	3,805	1,871	1,515	1,344	1,019
Business Origination Outsourcing	5,943	1,517	1,365	1,763	2,076
Operating and Other expenses	3,410	1,715	1,331	1,398	1,160
Financing Charges	18,893	9,942	8,922	9,065	10,444
Depreciation	560	417	934	1,828	3,929
Provisions, Loan Losses and Other Charges	3,575	2,082	2,246	2,458	1,659
Total Expenditure	36,186	17,544	16,313	17,856	20,287
Net Profit before tax and extraordinary items	5,195	4,738	5,486	5,552	3,445
Provision for taxation					
Income Tax	1,441	1,265	1,925	2,177	2,564
Deferred Tax	124	-55	-55	- 288	- 1,232
Fringe Benefit Tax	71	65			
Net Profit after Taxation before extraordinary tems	3,559	3,463	3,616	3,663	2,113
Extraordinary items	-	-	-	153	-
Net Profit after taxation and extraordinary items	3,559	3,463	3,616	3,816	2,113

Total Income

Total income comprises income from automobile financing, interest on consumer loans, income from loan against securities, income from loan against immovable property, income of financial leasing business, income from discounting bills of exchange and other income including dividend and interest income on investments. Presently we do not accept fixed deposits.

Income from operations

Income from operations consists of income from loans, hire purchase, bills and income on retained interests in securitized assets and also includes financing charges, administration charges, comprising largely of

processing fees for loan documentation, upfront interest and built in the pre–EMI and interest subsidies from dealers. Upfront interest and interest subsidy varies depending on the scheme and our loan processing charges are variable in nature.

Our Company offers various auto finance products to cater to transport operators, small businesses and self-employed and salaried individuals. Our Company provides finance for vehicles used both for commercial and personal purposes, three wheelers, and cars. The Company also provides finance against shares to promoters and high networth individuals and other secured form of lending through its capital market finance division, besides personal loans. These loans are processed typically on fixed interest rates with an average tenure ranging from 12-36 months and except personal loans, are typically secured in nature. Since our main component of income arises out of interest earned on performing loans, our earnings have a large impact by the fluctuations in the interest rates.

Disbursals

Our disbursements for the last five years ended March 31, 2007 are as follows :

(In Rs Crores)

Particulars	For the years ended March 31				
	2007	2006	2005	2004	2003
Disbursements	2559	1307	1127	998	1008
Increase in float of corporate and mortgage finance	543	150	-9	78	-48

Income from operations

Our Income from operations for the last five years are as follows:

(Rs in lakhs)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Income from Operations	41,212	22,145	21,792	23,407	23,720

Lease rentals

We have discontinued our financial leasing business, and all the existing leases have expired in 2006-07. Our income from leasing business comprises of lease rentals derived from leasing of industrial equipments. Finance earnings on lease transactions are calculated by applying the interest rate implicit in the lease, to the investment in the leased assets, as reduced by the Net Present Value of the lease instalments falling due.

Income from securitization / assignment of receivables

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

In respect of receivables securitized from February 1, 2006, gains / (losses) arising thereon are amortised over the life of the related receivables as prescribed by RBI, in its guidelines issued in this regard.

Interest on consumer loans

We also derive interest income from personal loans. These are unsecured personal loans offered on fixed interest rates with an average tenure ranging from 12-24 months. Personal loans are granted against the post dated cheques / ECS.

Other income

Other income consists of rental income and profit on sale of fixed assets.

Our other income for the last five years are as follows:

(in Rs. Lakhs)

Particulars	For the year ended March 31				
	2007	2006	2005	2004	2003
Other income (non-recurring)	169	137	7	1	12

Significant accounting policy on revenue recognition

Loan interest charges / hire purchase finance charges are recognised under the internal rate of return method to provide a constant periodic rate of return on net investment outstanding on the Loan/ Hire Purchase contracts.

Lease Rentals are accrued over the period of lease.

Expenses

Financing Charges

Financing Charges consisting of interest on borrowings, which includes interest paid on fixed loans, debentures and others obligations.

Our Financing Charges for the last five years are as follows:

(in Rs. Lakhs)

Particular	For the years ended March 31				
	2007	2006	2005	2004	2003
Financing Charges	18,893	9,942	8,922	9,065	10,444

Staff costs

Staff costs includes salary, bonus and incentives, our contributions to the provident fund and superannuation fund, encashment of leave allowances and staff welfare.

(In Rs. Lakhs)

Particular	For the years ended March 31				
	2007	2006	2005	2004	2003
Staff costs	3,805	1,871	1,515	1,344	1,019

Provisions and write offs

Provisions and write offs include bad debts and write-offs, provisions for NPAs as per the RBI norms and additional provisions for certain NPAs under our policy.

(In Rs. Lakhs)

Particular	For the years ended March 31				
	2007	2006	2005	2004	2003
Provisions , Loan losses and Other charges	3,575	2,082	2,246	2,458	1,659

Operating and other expenses

Operating and other expenses include our other expenses primarily comprise of rent paid on premises, rates and taxes, insurance, postage and telecommunications, printing and stationery, advertising and other administrative expenses,

Our operating and other expenses for the last five years are as follows

(In Rs. Lakhs)

Particular	For the years ended March 31				
	2007	2006	2005	2004	2003
Operating and other expenses	3,410	1,715	1,331	1,398	1,160

Depreciation

Our depreciation for the last five years are as follows

(In Rs. Lakhs)

Particular	For the years ended March 31				
	2007	2006	2005	2004	2003
Depreciation	560	417	934	1,828	3,929

Depreciation on fixed assets is provided as follows –

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

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

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

TAXATION

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

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

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

Restatements arising out of changes in accounting policies and prior period items for the following periods:

(in Rs. Lakhs)

Restatements due to change in accounting policies / prior period items	For the year ended March 31				
	2007	2006	2005	2004	2003
Upfront gain on securitization	468	136	-159	-157	-438
Business origination outsourcing	-	55	541	1069	-584
Employee benefits	-	-57	-52	-60	7
Prior period items					
(i) Income tax	146	-146	-	-	-
(ii) Other items	-	-	-	95	-95
Tax effect on the above adjustments	-157	-45	-121	-340	408

PROVISION FOR LEAVE ENCASHMENT

The table below lists down the provisions for leave encashments for the last five yeas

(In Rs. Lakhs)

Particular	For the years ended March 31				
	2007	2006	2005	2004	2003
Leave encashment	209	129	143	89	100

REGROUPINGS

Certain items have been regrouped under different line items in accordance with the requirements of the Companies Act and the SEBI guidelines.

For more details, please see restated financial statements on page 100 of this Letter of Offer.

Comparison of significant items of income and expenditure for the last five years is given below:

FINANCIAL YEAR ENDED MARCH 31, 2007 COMPARED WITH THE FISCAL YEAR ENDED MARCH 31, 2006

Summary

Our income increased by 85.71% from Rs. 22,282 Lakhs for the fiscal 2006 to Rs. 41,381 Lakhs for the fiscal 2007, and our expenditure increased by 106.26% from Rs. 17,544 Lakhs for the fiscal 2006 to Rs. 36,186 Lakhs for the fiscal 2007. Such an increase in the income and expenditure is *inter alia* due to the following significant developments during the year:

(i) The increase in disbursals of 96% from Rs. 1307 Crores in fiscal 2006 to Rs. 2559 Crores in fiscal 2007 as well as net increase in float of corporate and mortgage finance from Rs 150 crores in fiscal 2006 to Rs 543 crores.
(ii) Increase in the customer base from 40,000 customers to 1,50,000 customers

Income from financing activity

The income from vehicle finance business increased by 46.20% from Rs.16,770 Lakhs for the fiscal 2006 to Rs.24,517 Lakhs for the fiscal 2007. Similarly the income from personal loan business increased from Rs.71 Lakhs for the fiscal 2006 to Rs.9205 Lakhs for the fiscal 2007. Income from loan against securities increased from Rs. 2022 lakhs for the fiscal 2006 to Rs.2,505 lakhs for the fiscal 2007 representing an increase of 23.89%.. The income from Loan against immovable property and other loans increased from Rs. 1,028 lakhs to Rs. 3,888 lakhs representing an increase of 278% This increase was mainly due to the incremental business generated during the fiscal 2007.

Other income

Our other income increased by 23.36% from Rs. 137 Lakhs for the fiscal 2006 to Rs. 169 Lakhs for the fiscal 2007. This increase was primarily due to an increase in profit on sale of fixed assets.

Expenditure

Our expenditure increased by 106.26% from Rs. 17,544 Lakhs for the fiscal 2006 to Rs. 36,186 Lakhs for the fiscal 2007. As a percentage of income, our expenditure increased from 78.74 % for the fiscal 2006 to 87.45 % for the fiscal 2007. This is primarily due to addition of new businesses of Personal loans and Home equity as well as the increased volumes of Vehicle Finance and Corporate and mortgage finance business.

Financing Charges

Financing Charges increased by 90.03% from Rs. 9,942 Lakhs for the fiscal 2006 to Rs. 18,893 Lakhs for the fiscal 2007. As a percentage of income, financing charges increased from 44.62 % for the fiscal 2006 to 45.66% for the fiscal 2007. This was mainly due to an increase in asset size and also general increase in borrowing rates.

Staff cost, business origination cost, and operating and other expenses

Our staff cost increased from Rs 1,871 lakhs in Fiscal 2006 to Rs 3,805 lakhs in Fiscal 2007 representing an increase of 103%. This is due to increase in manpower due to addition of new business lines in Fiscal 2007.

Business origination cost increased by 292% in Fiscal 2007 as compared to Fiscal 2006. The increase is due to addition of new business lines during the year..

Our operating and other expenses increased by 98.83% from Rs. 1715 Lakhs for the fiscal 2006 to Rs. 3410 Lakhs for the fiscal 2007. As a percentage of our income, operating and other expenses including staff cost and Business Origination cost increased from 23% for the fiscal 2006 to 32% for the fiscal 2007. The increase was primarily due to addition of 44 new branches increase in number of employees and increased business in Fiscal 2007.

Provisions, loan losses and other charges

Provision for sub-standard and doubtful receivables under financing activity, loan losses and other charges increased from Rs 2,082 Lakhs during fiscal 2006 to Rs. 3,575 Lakhs during the fiscal 2007 due to addition of new business lines, additional provision made on certain NPAs

Net profit/loss before tax

As a result of the foregoing factors, profit before tax increased by 9.65% from Rs.4,738 Lakhs for the fiscal 2006 to profit before tax of Rs. 5,195 Lakhs for the fiscal 2007. As a percentage of Income, our profit before tax was 12.55% for the fiscal 2007 compared to 21.26% for the fiscal 2006.

Fringe benefit tax: Fringe benefit tax increased by 9.23% from Rs. 65 Lakhs in fiscal 2006 to Rs. 71Lakhs in fiscal 2007

Net Profit/loss After Tax

As a result of the foregoing factors, our net profit after tax and extraordinary items increased by 2.77% from Rs.3,463 Lakhs for the fiscal 2006 to Rs. 3,559 Lakhs for the fiscal 2007•. As a percentage of Income, our net profit after tax decreased from 15.54% for the fiscal 2006 to 8.60% for the fiscal 2007.

FINANCIAL YEAR ENDED MARCH 31, 2006 COMPARED WITH THE FISCAL YEAR ENDED MARCH 31, 2005

Summary

Our income increased by 2.22% from Rs. 21799 Lakhs for the fiscal 2006 to Rs.22282 Lakhs for the fiscal 2007, and our expenditure increased by 7.55% from Rs. 16313 Lakhs for the fiscal 2006 to Rs. 17544 Lakhs for the fiscal 2007. Such an increase in the income and expenditure is inter alia due to the increase in disbursals by 16% from Rs. 1127 Crores in fiscal 2005 to Rs. 1307 Crores in fiscal 2006.

Income from financing activity

The income from vehicle finance business decreased by 4.27% from Rs. 17518 Lakhs for the fiscal 2005 to Rs. 16770 Lakhs for the fiscal 2006. Income from loan against shares increased from Rs. 1913 lakhs for the fiscal 2005 to Rs.2022 lakhs for the fiscal 2006 representing an increase of 5.70%.. This increase was mainly due to the incremental business generated during the fiscal 2006

Other income

Our other income increased from Rs. 7 Lakhs for the fiscal 2005 to Rs. 137 Lakhs for the fiscal 2006. This increase was primarily due to profit on sale of assets.

Expenditure

Our expenditure increased by 7.55% from Rs. 16313 Lakhs for the fiscal 2005 to Rs. 17544 Lakhs for the fiscal 2006. As a percentage of income, our expenditure increased from 74.83% for the fiscal 2005 to 78.74% for the fiscal 2006.

Interest expended

Interest expended increased by 11.43% from Rs. 8922 Lakhs for the fiscal 2005 to Rs. 9942 Lakhs for the fiscal 2006. As a percentage of Income, interest expended increased from 40.93% for the fiscal 2005 to 44.62% for the fiscal 2006.. Also, the bank borrowings during the period had increased significantly from Rs. 35978 lakhs as at March 31, 2005 to Rs. 45710 lakhs as at March 31, 2006• which is a rise of 27% contributing to an increase in the interest expense.

Staff cost, business origination cost, and operating and other expenses

Our staff cost increased from Rs 1515 lakhs in Fiscal 2005 to Rs 1871 lakhs in Fiscal 2006 representing an increase of 23.49%. This is due to increase in manpower cost due to salary increases as well as addition of new employees.

Business origination cost increased by 11.13% in Fiscal 2006 as compared to Fiscal 2005. The increase is due to increase in business activity as well as increases in rates.

Our operating and other expenses increased by 29% from Rs. 1331 lakhs for the fiscal 2005 to Rs. 1715 Lakhs for the fiscal 2006.

As a percentage of our income, operating and other expenses increased from 6.11% for the fiscal 2005 to 7.70% for the fiscal 2006.

The increase was primarily due to an increase in other expenses like staff cost, marketing commission, recovery commission, bad debts, dealer incentive.

Provisions, loan losses and other charges

Provision for sub-standard and doubtful receivables under financing activity, loan losses and other charges decreased from Rs 2,246 Lakhs during fiscal 2005 to Rs. 2082 Lakhs during the fiscal 2006.

Net Profit/loss Before Tax

As a result of the foregoing factors, profit before tax decreased by 13.63% from Rs 5486 Lakhs for the fiscal 2005 to profit before tax of Rs. 4738 Lakhs for the fiscal 2006. As a percentage of Income, our profit before tax was21.26% for the fiscal 2006 compared to 25.17% for the fiscal 2005.

Net Profit/loss After Tax

As a result of the foregoing factors, our net profit after tax decreased by 4.23% from Rs. 3616 Lakhs for the fiscal 2005 to Rs. 3463 Lakhs for the fiscal 2006. As a percentage of Income, our net profit after tax decreased from 16.59% for the fiscal 2005 to 15.54 % for the fiscal 2006.

FINANCIAL YEAR ENDED MARCH 31, 2005 COMPARED WITH THE FISCAL YEAR ENDED MARCH 31, 2004

Summary

Our Income decreased by 6.87% from Rs. 23408 Lakhs for the fiscal 2004 to Rs.21799 Lakhs for the fiscal 2005, and our expenditure decreased by 8.64% from Rs.17856 Lakhs for the fiscal 2004 to Rs.16313 Lakhs for the fiscal 2005.

Income

Our income decreased by 7% from Rs. 23408 lakhs for the fiscal 2004 to Rs.21799 lakhs for the fiscal 2005.

Income from financing activity

The income from financing activity from vehicle finance business decreased by 1% from Rs. 17653 Lakhs for the fiscal 2004 to Rs.17518 Lakhs for the fiscal 2005. The income from loan against shares decreased from Rs. 2089 lakhs for the fiscal 2004 to Rs. 1913 lakhs for the fiscal 2005 representing a decrease of 9%.

Other income

Our other income increased from Rs. 1Lakh for the fiscal 2004 to Rs. 7 Lakhs for the fiscal 2005.

Expenditure

Our expenditure decreased by 9% from Rs. 17856 lakhs for the fiscal 2004 to Rs. 16313 lakhs for the fiscal 2005. As a percentage of Income, our Expenditure decreased from 76.28% to 74.83%

Interest expended

Interest expended decreased by 1.58% from Rs. 9065 Lakhs for the fiscal 2004 to Rs. 8922 Lakhs for the fiscal 2005. As a percentage of Income, interest expended increased from 38.73% for the fiscal 2004 to 40.93% for the fiscal 2005. This was mainly due to an increase in interest on loans comprising of interest on bank borrowings in the form of cash credit, working capital demand loans, short term loans and debentures.

Staff cost, business origination cost, and operating and other expenses

Our staff cost increased from Rs 1344 lakhs in Fiscal 2004 to Rs 1515 lakhs in Fiscal 2005 representing an increase of 13%. This is due to increase in manpower cost due to salary increases as well as addition of new employees.

Business origination cost decreased by 23% in Fiscal 2005 as compared to Fiscal 2004. The decrease is due to decrease in business activity.

Our operating and other expenses decreased by5% from Rs. 1398 lakhs for the fiscal 2004 to Rs. 1331 Lakhs for the fiscal 2005.

As a percentage of our income, operating and other expenses remained at 5.97% for the fiscal 2005.

Net Profit / loss before tax

As a result of the foregoing factors, profit before tax decreased by 3.84% from Rs 5705 Lakhs for the fiscal 2004 to profit before tax of Rs. 5486 Lakhs for the fiscal 2005. As a percentage of Income, our profit before tax was 25.17% for the fiscal 2005 compared to 24.37% for the fiscal 2004.

Net Profit / loss after tax

As a result of the foregoing factors, our net profit after tax decreased by 5.24% from Rs. 3816 Lakhs for the fiscal 2004 to Rs. 3616 Lakhs for the fiscal 2005. As a percentage of Income, our net profit after tax increased from 16.30 % for the fiscal 2004 to 16.59 % for the fiscal 2005.

Comparison of significant items of assets and liabilities for the last five years is given below:

FINANCIAL POSITION AS AT MARCH 31, 2007 COMPARED WITH THE POSITION AS AT MARCH 31, 2006

Fixed Assets

Financial Leasing business was discontinued in fiscal 2002 and all the existing leases expired in 2006-07. Fixed Assets (Own) at the end of fiscal 2007 is 52.42% higher than fiscal 2006. The increase is mainly due to infrastructure (including computers and networking equipment) provided for 46 new Personal Loan branches included during the year.

Investments

Increase in investments (14.78%) is primarily due to investment of Rs 1,250 lakhs in the subsidiary DBS Cholamandalam Asset Management Limited and Rs 640 lakhs in Pass through Certificate of Asset Securitisation Trust.

Receivables under Financing Activity

Addition of new businesses of Personal Loans (Rs 66,920 lakhs) and Home Equity (Rs 3,982 lakhs) together with increased volumes of Vehicle Finance and Corporate and Mortgage finance business form significant part of the increase of 72.47% in fiscal 2007 as compared to fiscal 2006.

Cash and Bank balances

Increase of 325% in cash and bank balances in fiscal 2007 is primarily due to
Rs 7,688 lakhs placed in an escrow account with respect to public deposits as directed by RBI consequent to the company's decision to exit from deposit accepting activities and Rs 14,542 lakhs in deposit account under lien as collateral towards assets de-recognized.

Other Current Assets and Loan and Advances

Increase in Interest accrued but not due on loan to borrowers due to increased volume of business is the major reason for 98% increase in Other current assets and loans and advances in fiscal 2007 over fiscal 2006.

Secured and unsecured loans

Total loan funds (Secured and unsecured) increased by 89.76% in fiscal 2007 as compared to fiscal 2006. This is on account of additional borrowings to fund the growth in Receivables under Financing activity.

Current Liabilities and Provisions

Current liabilities and provisions have increased by 105% in fiscal 2007 over fiscal 2006. The increase is primarily due to increase in interest accrued but not due on loans/ other deposits and monies held in trust in respect of assets de-recognised on account of securitization / assignment of receivables.

FINANCIAL POSITION AS AT MARCH 31, 2006 COMPARED WITH THE POSITION AS AT MARCH 31, 2005

Fixed Assets

Financial Leasing business was discontinued in fiscal 2002 and the decrease in asset value represents run down of existing portfolio.
Fixed Assets (Own) at the end of fiscal 2006 is 55.20% higher than fiscal 2005. The increase is primarily due to purchase of building (Rs 843 lakhs) at Mumbai for office use.

Investments

Net decrease in investments (46.70%) is primarily due to sale of shares held in bodies corporate (Rs 1,917 lakhs), mutual fund units held as current investment (Rs 3,550 lakhs), government securities (Rs 451 lakhs) and Pass through Certificates (Rs 1,529 lakhs).
Rs 400 lakhs was invested in a subsidiary and Rs 842 lakhs in pass through certificates in fiscal 2006.

Receivables under Financing Activity

Increase of 28.35% in Receivables under financing activity in fiscal 2006 is primarily due to general increase in volumes of Vehicle Finance and Corporate and Mortgage Finance businesses.

Cash and Bank balances

Increase of 53% in cash and bank balances in fiscal 2006 is mainly due to increase in current account balances with banks (Rs 1,148 lakhs) and in deposit account under lien (Rs 1,307 lakhs) towards assets de-recognized.

Other Current Assets and Loan and Advances

There is a decrease of 23.26% in other current assets and loans and advances in fiscal 2006. This is mainly due to reduction of Inter corporate deposits by Rs 943 lakhs.

Secured and unsecured loans

Total loan funds (Secured and unsecured) increased by 27.23% in fiscal 2006. This is in line with the growth in Receivables under financing activity.

Current Liabilities and Provisions

Increase in current liabilities and provisions by 12.31% in fiscal 2006 are due to general growth in business.

FINANCIAL POSITION AS AT MARCH 31, 2005 COMPARED WITH THE POSITION AS AT MARCH 31, 2004

Fixed Assets

Financial Leasing business was discontinued in fiscal 2002 and the decrease in asset value represents run down of existing portfolio.

Investments

Net increase in investments in fiscal 2005 was 66.28%.

Major addition to Investments in fiscal 2005 were Rs 3,750 lakhs in units of Mutual Fund as current investment, Rs 550 lakhs (net) in subsidiaries and joint venture, Rs 451 lakhs in government securities and Rs 1,529 lakhs in Pass through Certificates of Asset Securitization Trust.

There was release of Rs 233 lakhs in provision for diminution in value of investments in fiscal 2005.

Investments held as Shares in bodies corporate for 386 lakhs were sold or redeemed in fiscal 2005. Mutual Fund units of Rs 306 lakhs, Government securities/ bonds of Rs 686 lakhs were also sold in fiscal 2005

Cash and Bank balances

Increase of 33.94% in cash and bank balances in fiscal 2005 is mainly due to increase in deposit account under lien (Rs 1,125 lakhs) towards assets de-recognized.

FINANCIAL POSITION AS AT MARCH 31, 2004 COMPARED WITH THE POSITION AS AT MARCH 31, 2003

Fixed Assets

Financial Leasing business was discontinued in fiscal 2002 and the decrease in asset value represents run down of existing portfolio.

Investments

Net decrease in investments (20.40%) is primarily due to sale of mutual fund units of Rs 2,559 lakhs and decrease in provision for diminution in value of investments by Rs 380 lakhs in fiscal 2004 offset by net increase in investment in government securities/ bonds by Rs 102 lakhs.

Receivables under Financing Activity

Increase of 19.09% in Receivables under financing activity in fiscal 2004 is primarily due to general increase in volumes of Vehicle Finance and Corporate and Mortgage Finance businesses.

Cash and Bank balances

Increase of 45.51% in cash and bank balances in fiscal 2004 is mainly due to cumulative impact of increase in cash and cheques on hand (Rs 138 lakhs), current account balances with banks (Rs 342 lakhs) and in unpaid dividend account (Rs 388 lakhs).

Secured and unsecured loans

Total loan funds (Secured and unsecured) increased by 14.18% in fiscal 2004. This is in line with the growth in Receivables under financing activity.

RELATED PARTY TRANSACTIONS:

We enter into transactions with related parties in the normal course of business. The principal related parties are our subsidiaries. However, all significant transactions in relation to our business are conducted on an arms-length basis. For further information see section titled "Related Party Transactions" on page 98 of this Letter of Offer.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Data

(Rs. In Lakhs)

Particulars	For the years ended March 30			
	2004	2005	2006	2007
Net cash flow from (used in) operating activities	-18684	-4769	-39063	-146251
Net cash flow from (used in) investing activities	2952	-941	3533	-1724
Net cash from (used in) financing activities	16617	9568	33084	150097
Cash and cash equivalents at the beginning of the year	474	1360	5218	2772
Cash and cash equivalents at the end of the year	1360	5218	2772	4894

Cash flows from (used in) Operating Activities

Net cash used in operating activities reflects net increase during the year in receivable under financing activity, other current assets and loan and advances,current liabilities and provisions. Financing charges and Direct taxes paid is also included in net cash used in operations. Non cash items like depreciation, provision for non performing assets and other provisions or amortization are also factored in arriving at Net cash used in operating activities.

Fiscal 2007 – Net cash used in operating activities was Rs. 1,46,251 lakhs in fiscal 2007, which was primarily due to cash used for disbursements in lending business resulting in increase in receivables under financing activity of Rs 2,35,077 lakhs and adjusted for inflows on account of assets securitized and assigned bilaterally with banks for Rs 96,111 lakhs. Financing charges and direct taxes paid amounted to Rs 14,522 lakhs and Rs 1,768 lakhs respectively.

Fiscal 2006 – Net cash used in operating activities was Rs. 39,063 lakhs in fiscal 2006, which was primarily due to cash used for disbursements in lending business resulting in increase in receivables under financing activity of Rs 65,159 lakhs and adjusted for inflows on account of assets securitized and assigned bilaterally with banks for Rs 22,498 lakhs. Financing charges and direct taxes paid amounted to Rs 10,307 lakhs and Rs 1,310 lakhs respectively.

Fiscal 2005 – Net cash used in operating activities was Rs. 4,769 lakhs in fiscal 2005, which was primarily due to cash used for disbursements in lending business resulting in increase in receivables under financing activity of Rs 36,211 lakhs and adjusted for inflows on account of assets securitized and assigned bilaterally with banks for Rs 29,477 lakhs. Financing charges and direct taxes paid amounted to Rs 9,811 lakhs and Rs 2,024 lakhs respectively.

Cash flow from (used in) investing activities

Fiscal 2007 – Net cash used in investing activities amounted to Rs. 1,724 lakhs in fiscal 2007. This primarily comprised of the investment in subsidiaries to the tune of Rs.2,000 lakhs ,and purchase of fixed assets for Rs 1,842 lakhs. Inflows were on account of sale of investments in Joint venture and associate company for Rs 749 lakhs, sale of other investments for Rs 649 lakhs and Interest and Dividend from investing activities for Rs 1,055 lakhs.

Fiscal 2006 – Net cash from investing activities amounted to Rs. 3,533 lakhs in fiscal 2006. This primarily comprised of sale of investment in joint venture/ associate company for Rs 132 lakhs , net proceeds of purchase/ sale of investments for Rs 4,243 lakhs and interest and dividend from investing activities for Rs 479 lakhs. Major outflows were towards purchase of fixed assets for Rs 1,267 lakhs and investment in subsidiaries for Rs 414 lakhs.

Fiscal 2005 – Net cash used in investing activities amounted to Rs. 941 lakhs in fiscal 2007. This primarily comprised of net purchase of investments for Rs 1,048 lakhs and purchase of fixed assets for Rs 284 lakhs. Inflows were on account of Interest and dividend from investing activities for Rs 380 lakhs and sale of fixed assets for Rs 11 lakhs.

Cash flow from financing activities

Fiscal 2007 – Net cash from financing activities amounted to Rs. 1,50,097 lakhs in fiscal 2007. This primarily comprised net proceeds from long-term borrowings of Rs. 91,315 lakhs, and net proceeds of short term borrowings of Rs 60,949 lakhs. Dividend paid including distribution tax amounted to Rs 2,167 lakhs.

Fiscal 2006 – Net cash from financing activities amounted to Rs. 33,084 lakhs in fiscal 2006. This primarily comprised net proceeds from long-term borrowings of Rs. 3,302 lakhs, and net proceeds of short term borrowings of Rs 32,008 lakhs. Dividend paid including distribution tax amounted to Rs 2,226 lakhs

Fiscal 2005 – Net cash from financing activities amounted to Rs. 9,568 lakhs in fiscal 2005. This primarily comprised net proceeds from long-term borrowings of Rs. 14,620 lakhs, and net repayment of short term borrowings of Rs 4,567 lakhs. Dividend paid including distribution tax amounted to Rs 485 lakhs

Anticipated expenditure

Total capital expenditure for fiscal 2004, 2005, 2006 and 2007 which totalled Rs. 221 lakhs, Rs. 284 lakhs, Rs. 1,267 lakhs, and Rs. 1,842 lakhs, respectively, consisted primarily of costs related to branch infrastructure and Information Technology Assets. We anticipate that our capital expenditure in the next 24 months will increase due to proposed expansion of our branch network. For more details, please see the section entitled "Objects of the Issue" on page 24 of this Letter of Offer.

Capital

Our business is subject to the capital adequacy requirements of the RBI. We are required to maintain a minimum capital ratio of 10% is prescribed under the RBI guidelines based on total capital to risk weighted assets.

Capital Adequacy Ratio

Our Capital Adequacy ratios are as follows:

Our capital adequacy ratio was 17.28% as of March 31, 2005, 14.83% as of March 31, 2006, and 12.12% as of March 31, 2007. We have been able to maintain the required capital adequacy ratio prescribed by RBI.

FINANCIAL CONDITION

Asset Quality

As on March 31, 2007, out of the total asset risk weighted assets (net of provisioning) of Rs. 3,31,931 lakhs, 98.55% have been classified as standard assets.

Classification of Assets

The following table sets forth the quality of our Total Risk Weighted Assets/ Exposures (net of provisioning) –

(% to Total Assets)

Classification of Assets	Fiscal 2007		Fiscal 2006		Fiscal 2005	
	Amount (in Rs. Lakhs)	% of total risk weighted assets	Amount (in Rs. Lakhs)	% of total risk weighted assets	Amount (in Rs. Lakhs)	% of total risk weighted assets
Standard assets	327,123	98.55	190,243	99.35	149,347	98.50
Sub-standard assets	4,270	1.28	851	0.44	1,558	1.03
Doubtful assets	538	0.17	390	0.21	720	0.47
Loss assets	-	-	-	-	-	-
TOTAL	**331,931**	**100**	**191,484**	**100**	**151,625**	**100**

The Company is following the RBI guidelines for provisioning of its receivables.

Assets

Fixed assets increased by 38% from Rs.1,606 lakhs in fiscal 2005 to Rs. 2,214 lakhs in fiscal 2006. Fixed assets increased by 52% from Rs. 2,214 lakhs in fiscal 2006 to Rs. 3,364 lakhs in fiscal 2007.

Net investments increased by 66% from Rs. 7,743 lakhs in fiscal 2004 to Rs. 12,875 lakhs in fiscal 2005. Net investments decreased by 47% from Rs. 12,875 lakhs in fiscal 2005 to Rs. 6,862 lakhs in fiscal 2006. Net investments increased by 15% from Rs. 6,862 lakhs in fiscal 2006 to Rs. 7,876 lakhs in the fiscal 2007.

Current assets comprising of customer receivables , cash and bank balances, loans and advances and Other current assets and loans and advances increased by 4% from Rs. 1,50,386 lakhs in fiscal 2004 to Rs. 1,57,140 lakhs in fiscal 2005. Current assets increased by 27 % from Rs. 1,57,140 lakhs in fiscal 2005 to Rs. 1,99,994 lakhs in fiscal 2006. Current assets increased from Rs. 1,99,994 lakhs in the fiscal 2006 to Rs. 3,62,139 lakhs in the fiscal 2007 which was an increase of 81 %. These increases were mainly due to the incremental business done by the company during these years which has resulted into an increase in the receivable base.

Gross non performing assets decreased by 14% from Rs. 2,747 lakhs in fiscal 2005 to Rs. 2,356 lakhs in fiscal 2006. Gross non performing assets were Rs. 2,293 lakhs (excluding deemed gross sub-standard assets of Rs 3,812 lakhs) in the fiscal 2007.

Liabilities

Total liabilities increased by 3% from Rs. 1,37,747 lakhs in fiscal 2004 to Rs. 1,41,896 lakhs in fiscal 2005. Total liabilities increased by 26% from Rs. 1,41,896 lakhs in fiscal 2005 to Rs. 1,79,260 lakhs in fiscal 2006. Total liabilities increased by 91% from Rs. 1,79,260 lakhs in the fiscal 2006 to Rs. 3,41,636 lakhs in the fiscal 2007. These increases were mainly due to incremental business done by the company during these years which has resulted in an increase in the liabilities.

Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements

As of March 31, 2007, the aggregate amount of outstanding liabilities and provisions was Rs. 3,41,636 lakhs. Some of our contractual obligations, including purchase obligations, may result in future cash requirements. The following table summarises our contractual obligations and commitments to make future payments as of March 31, 2007, and the effect such obligations and commitments are expected to have on our liquidity and cash flow in future periods:

	As of March 31, 2007				
	Payment Due by Period (Amount in Rs. in lakhs)				
	Total	Within One Year	Second & Third Year	Fourth & Fifth Year	After Five Years
Total Outflows (excluding provision for NPA)	3,40,338	2,65,251	58,981		16,106

Claims against the Company not acknowledged as debts: Contingent liabilities

(In Rs. Lakhs)

Particulars	As of March 31, 2007
Outstanding Counter Guarantees provided to Banks	18.18
Income tax and Interest tax issues pending	151.70
Sales tax issues pending before appellate authorities in respect of which the Company is in appeal	450.01
Disputed claims against the Company lodged by various parties pending litigation (to the extent quantifiable)	224.82
TOTAL	**844.71**

Except as disclosed above, there are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign exchange risk

All our assets are financed in Indian rupees and therefore we do not have any exchange rate risk on our asset portfolio. However, we have some borrowings in foreign currency, mainly in USD, which are fully hedged. We are exposed to foreign currency risk in the ordinary course of business only with regard to the interest payable part of the foreign currency loans which are not hedged in all cases. Future economic or political development may cause a decline in the value of the Rupee which may adversely affect our cash flow, financing requirements and net income.

Interest Rate Risk

Since we have fixed rate rupee assets and a mix of floating and fixed rate liabilities, movements in domestic interest rates constitute the main source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. An Asset Liability Management policy, has been approved and adopted by our ALCO, sets forth the broad guidelines for ALM activities. We follow RBI guidelines for managing our asset and liability position. Our cost of borrowings will be negatively impacted by an increase in interest rates.

Liquidity risk

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including the tied up loan limits with bankers etc.

We also monitor liquidity risk through categorization of all assets and liabilities in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short-term. The ALM policy is based on RBI guidelines and ALCO guidelines and establishes the maximum allowed mismatches in the various maturities.

The following table sets out a summary of our asset liability maturity profile derived from our RBI report furnished on a half yearly basis and based on certain estimates, assumptions and our prior experience of the performance of our assets:

ASSET LIABILITY MANAGEMENT

STATEMENT OF STRUCTURAL LIQUIDITY REPORT AS ON MARCH 31,2007

(Rupees in crores)

Particulars	1 - 30 / 31 Days	Over 1 month to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 months to one year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 years	Total
A. OUTFLOWS									
1. Capital									-
a) Equity and perpetual preference shares								38.01	38.01
b) Non-perpetual preference shares									-
2. Reserves & surplus								288.34	288.34
3. Gifts, grants, donations & benefactions									-
4. Notes, bonds & debentures									-
a) Plain vanilla bonds/debentures	594.00	-	-	31.00	260.00	308.56		150.00	1,343.56
b) Bonds Debunture with embedded options	475.00	-	75.00	100.00	-	-			650.00
c) Fixed rate notes									-
Deposits									-
a) Term deposits from public	7.93	4.13	3.53	10.71	15.02	28.44	-	-	69.75
b) ICDs	-	-	-	-	-	-	-	-	-
c) Certificate of Deposit									-
6.Borrowings									-
a) Term money borrowings from Banks	-	-	-	-	-	211.28	-	-	211.28
b) From RBI, Govt, & others	5.63		-	5.63	-				11.25
c) Bank Borrowings in the nature of WCDL, CC etc	215.41	198.56	275.00	-	125.27	-	-		814.24
7. Current Liabilities & provisions:									-
a) Sundry creditors	3.61	-	-	1.63	-	0.46	-	-	5.70
b) Expenses payable (other than interest)	15.89	-	-	-	-	-	-	-	15.89
c) Advance income received, receipts from borrowers pending adjustment	12.24							9.51	21.75
d) Interest payable on bonds/deposits	7.23	0.38	1.01	5.90	7.01	39.03	-	-	60.56
e) Provisions (other than for NPAs)	0.26	0.25	0.25	18.46	3.99	2.03	0.05	-	25.28
8. Contingent Liabilities									-
a) Letters of credit/guarantees									-
b) Loan commitments pending disbursal (outflows)									-
c) Lines of credit committed to other institutions (outflows)									-
d) Outflows on account of forward exchange contracts, rupee/dollar swap									-
9. Commercial Paper	124.56			-	-	-	-	-	124.56
10. Others	53.85	-	-	-	-	-	-	-	53.85
									-
A.Total OUTFLOWS(A)	1,515.62	203.32	354.78	173.31	411.28	589.81	0.05	485.86	3,734.04

Particulars	1 - 30 / 31 Days	Over 1 month to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 months to one year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 years	Total
									-
B. INFLOWS									-
1. Cash	8.95								8.95
2. Remittance in transit									-
3. Balances with banks									-
a) Current account	39.82				0.18				39.99
b) Deposit /short-term deposits	39.63	13.18	7.88	39.75	89.61	24.53	-	13.93	228.49
c) Money at call & short notice									-
4. Investments (net of provisions)	3.54	1.27	1.01	1.77	0.90	-	-	70.26	78.76
5. Advances (performing)									-
a)Bills of exchange and promissory notes discounted & rediscounted									-
b) Term loans (only rupee loans)	467.64	125.89	163.62	376.74	443.72	1,246.75	154.45	212.75	3,191.56
c) Corporate loans/short term loans	32.86	3.13	0.51	0.04	-	-	-	-	36.54
6. Non-performing loans						47.18			47.18
7. Inflows from assets on lease									-
8. Fixed assets (excluding assets on lease)								31.68	31.68
9. Other assets :									-
a) Intangible assets & other non-cash flow items								9.38	9.38
b) Interest and other income receivable	33.27	0.41	0.41	14.32	0.81	1.10	0.28	-	50.59
c) Others	0.85	0.13	-	-	(0.35)	3.04	-	7.25	10.93
10. Lines of credit committed by other institutions (inflows)	900.00	65.00	185.00	(255.00)	(110.00)	(785.00)			-
11. Bills rediscounted (inflow)									-
12. Inflows on account of forward exchange contracts, dollar/rupee swaps									-
13. Others									-
									-
B.Total INFLOWS(B)	1,526.55	209.01	358.43	177.61	424.85	537.60	154.73	345.26	3,734.04
C.Mismatch (B - A)	10.93	5.68	3.65	4.30	13.57	(52.21)	154.68	(140.60)	
D.Cumulative Mismatch	10.93	16.62	20.27	24.57	38.14	(14.07)	140.61	0.01	-
E. C as percentage of A	0.72%	2.80%	1.03%	2.48%	3.30%				

Notes :
1. SLR investments are classified as per residual maturity only
2. Borrowings with embedded daily options are considered in the earliest time bucket
3. Preclosures in deposits and prepayments by customers not factored
4. WCDL loans from banks have been classified as per residual maturity. Unutilised lines as well as recycling of existing lines considered under Item 10 above

Credit Ratings

The Company's short-term instruments carry the highest rating:

- P1+ rating from CRISIL upto Rs. 750 crores
- A1+ rating from ICRA upto 200 crores

The Company continues to retain the

- MAA+ rating from ICRA for Fixed deposits and non-convertible debentures indicating high safety
- FAA rating from CRISIL for Fixed Deposits indicating high safety

The Company also holds the following ratings on its subordinated debts:

- AA(Ind) from Fitch for Rs. 75 crores
- LAA from ICRA for Rs. 150 crores

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

OTHER MATTERS

Unusual or infrequent events and transactions

Other than as described elsewhere in this Letter of Offer, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there have been no transactions or events, to our knowledge, which would be considered "unusual" or "infrequent".

Significant economic / regulatory changes

Other than as described elsewhere in this Letter of Offer, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than as described elsewhere in this Letter of Offer, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

Future relationship between costs and income

Other than as described elsewhere in this Letter of Offer, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of the Company and its subsidiaries, taken as a whole.

Total turnover of each industry segment in which the company operates

The company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard-17 dealing with Segment Reporting.

New product or business segment

Other than as described elsewhere in this Letter of Offer, particularly in "Business" section to our knowledge there are no new business segments or material new products planned.

Seasonality of business

Our business is not seasonal. However, there could be a variation in our quarterly income or profit after tax or NPAs because of various factors, described in the section titled "Risk Factors" on page x of this Letter of Offer.

Dependence on single or few customers

We are not dependant on any particular customer

Competitive conditions

We expect competition to intensify due to, among other things, the entry of new participants, as described above and in the section titled "Risk Factors" on page x of this Letter of Offer resulting in further downward pressures on our margins.

Significant development after March 31, 2007 that may affect our future results of operations

In the opinion of the Board of our Company, there have not arisen, since the date of the last financial statements included in this Letter of Offer, any circumstances that materially and adversely affect the our trading or profitability or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months. Except as stated herein above, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on reserves, profits, earning per share and book value of our business.

INFORMATION AS REQUIRED BY GOVERNMENT OF INDIA, MINISTRY OF FINANCE CIRCULAR NO. F2/5/SE/76 DATED FEBRURARY 5, 1977 AS AMENDED VIDE CIRCULAR OF EVEN NO DATED MARCH 8, 1997

1. The working results of the Company for the for the five months ended August 31, 2007 during the current Financial Year (Period upto last but one month from the date of issue of the Letter of Offer):

Particulars	Rs. in lakhs
1) Income from Operations (refer note below)	29,027
2) Other Income	-
3) Total Income (1+2)	**29,027**
4) Financing Charges	13,583
5) Depreciation	266
6) Staff Costs, Business Origination Outsourcing and Other Operating Expenses	9,949
7) Profit before Provisions and Taxes (3 – 4 – 5 - 6)	**5,229**
8) Provisions, Loan Losses and Other Charges	3,544
9) Profit before Extraordinary / Exceptional items (7 – 8)	**1,685**
10) Extraordinary / Exceptional items	-
11) Profit before Taxes (9 + 10)	**1,685**
12) Provision for tax (including fringe benefit tax) net of deferred tax	620
13) Net Profit (11 – 12)	**1,065**

Note:
Income from Operations for the period is net of derecognition of income of Rs 467 lakhs on repurchase of receivables sold under a bilateral agreement to a bank in 2006-07, due to a disagreement which arose subsequently.

2. Except as disclosed elsewhere in this Letter of Offer, there is no material change or commitments likely to affect the financial position of the Company since the last date upto which audited information is incorporated in the Letter of Offer.

3. **Information in relation to Equity Shares:**

a) Week end prices of Equity Shares of the Company for the last four weeks on BSE is as below

Period	Closing price (in Rs)	Volume	
		No. of shares	No. of trades
September 10-14, 2007	182.35	122,160	883
September 3-7, 2007	183.52	76688	1545
August 27-31, 2007	170.98	12742	239
August 20-24, 2007	169.66	48405	788

b) Week end prices of Equity Shares of the Company for the last four weeks on NSE is as below

Period	Closing price (in Rs)	Volume	
		No. of shares	No. of trades
September 10-14, 2007	182.85	91605	845
September 3-7, 2007	183.39	116661	2514
August 27-31, 2007	170.68	29980	512
August 20-24, 2007	168.90	48404	1013

c) Week end prices of Equity Shares of the Company for the last four weeks on MSE is as below

There has been no trading in the Equity Shares listed on the MSE

d) Closing ex-rights market price of Equity Shares of face value of Rs.10 of the Company on BSE and NSE as on September 11, 2007 was Rs. 190.85. Rs.191.55 respectively.

e) Highest and Lowest Price of the Equity Share of the Company of face value of Rs. 10 each on BSE during the period April 01, 2005 to August 31, 2007:

FY	HIGH	High Date	High Price Day Volume	Low	Low Price Date	Low Price Day Volume
2006	237.55	13/02/06	39,689	83.35	01/04/05	44,266
2007	231.85	05/04/06	8,672	102.5	06/03/07	3,613
January 2007	149.9	25/01/07	15,877	130.3	17/01/07	5,534
February 2007	145	05/02/07	6,512	114.75	28/02/07	11,802
March 2007	115.4	02/03/07	3,306	102.5	06/03/07	3,613
April 2007	124.15	27/04/07	29,362	102.5	12/04/07	1050
May 2007	134.55	31/05/07	10014	117	08/05/07	2244
June 2007	175.95	29/06/07	57908	141.25	01/06/07	4750
July 2007	205.27	16/7/07	77942	155.20	4/7/07	8439
August 2007	184.20	3/8/07	5992	165.73	21/8/07	15056

f) Highest and Lowest Price of the Equity Share of the Company of face value of Rs.10 each on NSE during the period April 01, 2005 to August 31, 2007:

FY	High	High Date	High Price Day Volume	Low	Low Price Date	Low Price Day Volume
2006	236.60	13/02/2006	68,099	01/04/2005	83.75	1,03,104
2007	232.60	05/04/2006	16,118	103.25	06/03/2007	5,376
January 2007	150.05	25/01/2007	29,984	130.00	17/01/2007	12,145
February 2007	144.95	05/02/2007	10,118	114.60	28/02/2007	6,664
March 2007	116.20	13/03/2007	6,638	103.25	06/03/2007	5,376
April 2007	124.10	27/04/2007	49,362	102.65	24/04/2007	9,301
May 2007	134.50	31/05/2007	14,413	116.25	15/05/2007	14,537
June 2007	176.20	29/06/2007	92,565	141.25	01/06/2007	17,180
July 2007	201.95	16/7/07	87974	155.04	3/7/07	13499
August	183.76	9/8/07	18758	164.38	21/8/07	15647

FY	High	High Date	High Price Day Volume	Low	Low Price Date	Low Price Day Volume
2007						

g) Highest and Lowest Price of the Equity Share of the Company of face value of Rs.10 each on MSE during the period April 01, 2005 to August 31, 2007:

There has been no trading in the Equity Shares listed on the MSE.

SECTION VIII: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its Directors, Promoters or companies promoted by its promoters that would have a material impact on the business of the Company and there are no defaults, non payment or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the Company or its directors, its Promoters or companies promoted by its promoters. Further, the directors, promoters or companies promoted by the promoters have not been declared as willful defaulter by Reserve Bank of India, and also have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

OUTSTANDING LITIGATIONS INVOLVING THE COMPANY

Cases filed against the Company

Criminal Cases

There are 35 criminal cases filed against the Company.

1. Out of the aforesaid cases, 27 criminal cases filed against the Company by the customers whose vehicles have been repossessed on account of loan defaults, relates to alleged illegal repossession of vehicle/ alleged theft of a vehicle repossessed by the Company as well as some goods kept in the vehicle, manhandling of the drivers and passengers of the vehicles. The cases are filed under Section 392 and Section 362, Section 395 read with section 149 of the Indian Penal Code. The Company has filed its representations in the aforesaid matters. The cases are pending adjudication.

2. 5 criminal cases filed against the Company by the customers relates to alleged offences of criminal breach of trust, cheating by allegedly not returning the security cheques taken as collateral, and alleged presentation of security cheques, non return of duplicate keys and papers of vehicles financed after the repayment of loans. The cases are filed under Section 420, 406, 417 and Section 120 B of the Indian Penal Code. The Company has filed its representations. The Company has filed its representations in the aforesaid matters. The cases are pending adjudication.

3. Ms. Renuka Ramraj has filed a criminal case before the XXIII Metropolitan Magistrate, Hyderabad alleging fraud and misappropriation of the money for not insuring the vehicle even after receipt of the premium amount by the Company inducing the complainant that they would purchase an insurance policy and keep the vehicle financed by the Company properly insured. The cases are filed under Section 420, 406 and Section 120 B of the Indian Penal Code. The Company has filed its say in the aforesaid matters. The cases are pending adjudication.

4. In respect of personal finance business, 2 criminal cases have been filed by the customers who have defaulted in loan repayments against the Company alleging intimidation and search and seizure of cheques.

Civil Cases

There are 171 civil cases filed against the Company.

1. 15 cases are pending before the Motor Accident Claims Tribunal where the Company has been made a party along with various Insurance Companies, for an amount aggregating approximately Rs. 92.60 lakhs as compensation from the families of deceased, died in the accidents caused by the vehicles financed and insured by the Company, alleging that the drivers of the vehicles were driving rashly and negligently and thus caused death. The Company has filed its reply in the matter denying its liability on the ground that it was only a lender in all these cases. The matters are pending disposal.

2. 109 civil cases have been filed in various forums under Order 39, Rule 1&2 read with Section 151 of CPC for grant of ex-parte ad interim injunction by customers who have defaulted in loan repayments

and whose vehicles have been repossessed for loan defaults, for reliefs such as restraining the Company from repossessing the vehicles, alienating and selling the vehicle repossessed and claiming depreciated costs of the vehicles with current and future interest. The matters are pending disposal.

3. 4 applications have been filed in various forums by four customers under Section 7 of The Provincial Insolvency Act, 1920 and declared that they are unable to pay the debts and do not possess any means to repay the loans of the Company and applied to the court to adjudicate them as insolvents. The Company has filed its replies to repossess the vehicles or claim the amounts payable by the applicants. The Company files claim petition in respect of the due amount payable by the respective customers.The matters are pending disposal.

4. 20 civil cases have been filed in various forums by customers who filed a civil suit under Order VII, Rule I of CPC, claiming that inspite of making full repayment of loan the Company has been refusing to issue a No Due Certificate and/or loan termination certificate, no objection certificate and rendition of accounts. The Company has filed representation stating that clearance certificate has already been given or disputing the claims of the plaintiff that he has made the full payment.

5. A suit for prohibitory and mandatory injunction under order 39 rule 1 and 2 of CPC read with Section 151 of CPC, has been filed by one Mr. Satpal against the company and others, alleging that he has purchased a vehicle from a customer of the Company who has been financed by the Company and alleged that in connivance with that customer the Company has repossessed the vehicle. The Company has in its reply submitted that under the loan Agreement with the Customer, he cannot transfer the vehicle without the knowledge of the company and that it is authorized under the loan agreement to take possession of the vehicle. The matter is pending disposal

   In most of the above matters stated in pt. 1 to 5, the Company has also filed applications under Section 8 of the Arbitration and Conciliation Act, 1996, for referring the matters to the arbitration and also for dismissing, recalling or setting aside the civil suits as the loan agreements contains an arbitration clause, providing that the parties to the loan agreements have to refer the disputes for adjudication through arbitrators nominated by the Company. The matters are pending disposal.

6. 4 civil cases have been filed in various forums customers who have defaulted in loan repayments, under Section 34 of the Arbitration and Conciliation Act, 1996 for setting aside the award in a arbitration case, alleging that the arbitration proceedings were ex-parte, and the Company has not given proper notice to the petitioner regarding appointment of arbitrator and thus allege that the reference of the matters to arbitration and entire arbitration proceedings are against law. The Company has filed its replies in the matter denying the charges. The matters are pending disposal.

7. State Bank of India has filed a Special Civil Suit in which the Company is made a party for recovery of loan and attachment and sale of vehicles, that was financed by the Company and also by State Bank of India and to cancel the charge on the vehicles in favour of the Company. The Company has filed its reply in the matter denying the charges. The matter is pending disposal

8. 3 writ petitions have been filed by customers whose vehicles have been repossessed by the Company for loan defaults, in the High Court of Rajasthan, and Jaipur, Delhi and Chennai, against the Company, alleging illegal repossession and sale of vehicle and seeking an injunction against sale of the vehicle. The matters are pending disposal.

9. One writ petition has been filed by a customer for refund of down payment made by him for purchase of vehicle. The matter is pending disposal.

10. An owner of a property occupied by the Company, has filed a case against the Company under Order 39 Rule 10 read with Order 12 rule 6 read with Section 151 of CPC for payment of lease rentals with damages. It was alleged that the Company has failed to pay lease rentals for last twelve months, with respect to the property situated at 30/31, Old Rajinder Nagar, New Delhi, and given on lease to the Company. The Company deposited Rs. 63,000/- in the court. The matter is pending adjudication.

11. A customer whose vehicle was repossessed by the Company for loan defaults, has filed a civil suit before district court, Delhi against the Company alleging illegal seizure of vehicle and forcibly taking

an amount of Rs. 80,000/-. She has sought return of 35 blank cheques for an amount of Rs. 367, 000/- given to the Company at the time of availing the vehicle finance facility. The matter is pending disposal.

12. A civil suit before the District Judge, Nagpur, has been filed by one Mr. Vijay Kumar against the Company, who has purchased the vehicle financed by the Company from the Company's customer during the pendency of a vehicle loan between the customer and the Company. The Company repossessed the vehicle from Mr. Vijay Kumar Kumar for breach of agreement. Alleging illegal seizure of vehicle and seeking the court to direct the company to return the vehicle or pay an amount of Rs. 225, 000/- as compensation, the said suit has been filed. The matter is pending disposal.

13. A depositor has filed a civil suit no. 103/ 2007 against the company seeking an injunction restraining the Company from making payment of fixed deposit amount of Rs. 51,377/- to his family members without his consent. The Fixed deposit was made jointly in the name of his mother and himself . His mother has been trying to alienate the fixed deposit amount to his other family members. The matter is pending disposal.

14. 6 civil cases have been filed in various forums whereby the persons to whom the company has disbursed loans files a civil suit under Order 39, Rule 1&2 read with Section 151 of CPC alleging that the Company through its agents have harassed and threatened the petitioner as a means to extract the loan amount due to the Company. The petitioners have sought an ad interim injunction restraining the Company from using illegal means to recover the dues. The matters are pending disposal.

Labour Cases

1. An employee of an outsourced company has filed a case against his employer and included the Company as a party under Section 10(4A) of the Industrial Disputes Act, 1948 before the Labour Courts, alleging wrongful withholding of statutory dues, illegal termination of services, unfair labour practices, violations of principles of natural justice. The Company has filed its reply in the matter denying the charges. The matters are pending disposal.

2. Two cases have been filed by the Labour Officer, court of Minimum Wages Authority has filed a against an outsourced company, the employer of Mr. Praveen, and the under Section 20 and 21(2) of Minimum Wages Act, 1948 alleging that the Company is paying the remuneration below the minimum wages fixed under the Minimum Wages Act, 1948. The Company has filed its reply in the matter denying the charges. The matters are pending disposal.

In all the three cases, the company has been included as a party and is not the employer of the above mentioned employees.

Consumer Cases

1. 130 cases have been filed against the Company by its customers under Section 12 and 13 of the Consumer Protection Act, alleging deficiency in Services and resorting to unfair trade practices. The allegations in these cases are –
   (i) Charging interest at a rate higher than the agreed rate or
   (ii) Illegal sale of vehicle financed by the company,
   (iii) Illegal repossession of the vehicles financed by the Company
   (iv) Non receipt of Registration Certificates, duplicate keys, No Due Certificate and/or loan termination certificate, no objection certificate and rendition of accounts even after the repayment of loans.
   (v) Receipt of insurance claim directly from the insurance company
   (vi) Collection of excess payment by the Company due to wrong calculation
   (vii) Non receipt of blank cheques taken by the Company as a collateral security

   The Company has filed its replies stating that the matter should be referred to the arbitration as the loan agreement contains an arbitration clause, providing that the parties to the loan agreement has to refer the dispute for adjudication through arbitrator nominated by the Company further the parties to the loan agreement also has agreed to exclusive jurisdiction of Chennai courts. The Company also

claims that the relationship between the complainant and the opposite party is of debtor and creditor and the relationship is governed by contractual terms and conditions of the loan agreement therefore the complainant is not a consumer and the complaint does not come within the purview of Consumer Protection Act.

2. 16 cases have been filed by the hirer of the vehicles financed by the Company against the insurance companies or the manufacturer of vehicles in which being the owner of the vehicles, the Company is made a formal party to the consumer complaints. The issues involving these cases are –
   (i) Case filed against the Insurance Company by the hirer of the vehicle alleging under valuation of insurance claims.
   (ii) Case filed against the manufacturer for replacement of the defective vehicles.

Income Tax Cases

S. No.	Assessment Year	Brief Description of the Matter	Status	Amount (in Rs. Lakhs)
1.	1991-92	Disallowance of premium on redemption of debentures.	The Commissioner of income Tax (Appeals) has rejected the additions made by the Assessing officer. However the Income Tax Department has preferred an appeal with the Income Tax Appellate Tribunal. The matter is still pending adjudication.	1.31
2.	1991-92	Disallowance of capital loss claimed on sale of imported cars.	Income Tax Appellate Tribunal had allowed capital loss claimed on sale of imported cars. However the Income Tax Department has preferred an appeal with the Madras High Court against the order of the ITAT.	9.08
3.	1992-93	Disallowance of premium on redemption of debentures.	The Commissioner of income Tax (Appeals) has rejected the additions made by the Assessing officer. However the Income Tax Department has preferred an appeal with the Income Tax Appellate Tribunal. The matter is still pending adjudication.	1.48
4.	1992-93	Disallowance of capital loss claimed on sale of imported cars.	Income Tax Appellate Tribunal had allowed capital loss claimed on sale of imported cars. However the Income Tax Department has preferred an appeal with the Madras High Court against the order of the ITAT.	11.68

S. No.	Assessment Year	Brief Description of the Matter	Status	Amount (in Rs. Lakhs)
5.	1993-94	Disallowance of Capital Loss claimed on sale of Imported Cars	The Commissioner of income Tax (Appeals) has rejected the additions made by the Assessing officer and the Tribunal dismissed the Department's Appeal. However the Income Tax Department has preferred an appeal with the Madras High Court. The matter is still pending adjudication.	15.19
6.	1994-95	Disallowance of Capital Loss claimed on sale of Imported Cars	-do-	21.66
7.	1997-98	Disallowance of depreciation on boilers and windmills	Assessing office vide Order dated 22nd December, 2006 has made a demand. Rectificatin under sec.154 filed and pending disposal. Separately appeal filed with CIT (appeals)	84.73
8.	2004-05	Disallowance of depreciation on assets written off as bad debts	Appeal filed before CIT of appeals against disputed items and the same is pending. Further request made for adjustment of demand against refunds receivables pending	9.07

Interest Tax Cases

S. No.	Assessment Year	Brief Description of the Matter	Status	Amount (in Rs. Lakhs)
1.	1998-99	Interest tax liability on Bill discounting charges received from other credit institutions	The Commissioner of income Tax (Appeals) has deleted the addition made by the Assessing officer. However the Income Tax Department has preferred an appeal with the Income Tax Appellate Tribunal. The matter is still pending adjudication.	9.13
2.	2000-01	Interest Tax Liability on Additional Discount Charges and Additional Finance Charges	The Commissioner of income Tax (Appeals) has deleted the addition made by the Assessing officer. However the Income Tax	9.13

S. No.	Assessment Year	Brief Description of the Matter	Status	Amount (in Rs. Lakhs)
			Department has preferred an appeal with the Income Tax Appellate Tribunal. The matter is still pending adjudication.	

Sales Tax Appeals

S. No.	Assessment Year	Brief Description of the Matter	Status	Amount (in Rs. Lakhs)
1.	1993-94 & 94-95	HP Transit sales exemption not allowed	Appeal Pending Sales Tax Appellate Tribunal, Jamshedpur	2.65
2.	1.5.97 TO 30.9.97	HP - Exparty order - 2nd sales exemption not allowed	Appeal Pending Sales Tax Tribunal, Baroda	2.71
3.	1997-98	HP transactions - 2nd sales claim disallowed - ex party order	Appeal Pending Sales Tax Tribunal, Baroda	2.08
4.	1991-92	Suo Moto Revision by Joint Commissioner - 2nd sales lease rentals not allowed	Rectification order passed. Refund of Rs.1.24 Lakhs to be received Sales Tax Appellate Tribunal, Bangalore	0.99
5.	1992-93	Suo Moto Revision by Joint Commissioner - 2nd sales lease rentals not allowed	Rectification order passed. Refund of Rs.1.02 Lakhs to be received Sales Tax Appellate Tribunal, Bangalore	1.23
6.	1993-94	Import & Local Lease rentals not allowed	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	3.69
7.	1994-95	Import & Local Lease rentals not allowed	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	6.81
8.	1995-96	Import & Local Lease rentals not allowed	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	13.61
9.	1996-97 - KST	Import & Inter-state Lease rentals not allowed	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	0.54
10.	1996-97 - CST	Transit sales not allowed.	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	23.53
11.	1997-98	Import Lease rentals not allowed	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	13.44
12.	2000-01	Inter-state lease rentals not allowed	Appeals pending before Tribunal Sales Tax Appellate Tribunal, Bangalore	2.02
13.	1991-92	Addition of Turnover& Interest thereon	Appeal pending before Addl. Commissioner Deputy Commissioner of Sales Tax, Appeals	8.33

S. No.	Assessment Year	Brief Description of the Matter	Status	Amount (in Rs. Lakhs)
14.	1995-96 TNGST	Exemption on HP Inter State & Import transactions disallowed. Issue pending before Tribunal. Similar issue for Ays 89-90 to 94-95 allowed by Tribunal in our favour	Appeal before the Tribunal Sales Tax Appellate Tribunal	288.15
15.	1995-96 CST	Exemption on HP Inter State & Import transactions disallowed. Issue pending before Tribunal. Similar issue for Ays 89-90 to 94-95 allowed by Tribunal in our favour	Appeal before the Tribunal Sales Tax Appellate Tribunal	74.71
16.	2002-03	Resale Tax levied on tax suffered lease rentals. Lease Agreements entered prior to introduction of resale tax	Appeal before the Tribunal Sales Tax Appellate Tribunal	5.52

Cases filed by the Company

Involving the vehicle finance business

The cases filed by the Company against its customers are generally in the event of default in repayment of installments, dishonour of cheques or for sale/ seizure/ repossession of the vehicles.

Broadly the cases filed by the Company can be categorized as:

(i) Proceedings under Section 138 of the Negotiable Instrument Act, 1881 upon dishonour of cheques given by the customers for settling their dues.

(ii) Arbitration proceedings – By invoking the arbitration clause in the loan agreement entered by and between the Company and its customers, any dispute arising out of the said agreement is referred to an Arbitrator. Meanwhile, to ensure the effective execution of the award passed by the Arbitrator, the Company also files various interim applications under Section 9 of the Arbitration and Conciliation Act, 1996 before the District Courts seeking:
   (a) Seizure - This is sought, wherever the repossession of vehicle is difficult without the intervention of the court.
   (b) Surrender - This is sought, wherever the vehicle is not traceable/ concealed by the customer.
   (c) Attachment - This is sought in case of shortfall of dues payable by the customer even after the sale of vehicle. Attachment is sought with respect to other (im)movable property(ies) of the customer/ guarantor.
   (d) Garnishee - This is sought where a third party owes money to the customer, seeking the court to order payment of such dues to the Company instead of making the payments to the customer.

(iii) Criminal Complaints – The Company files Criminal Complaints against its customers in the event of:
   (a) Willful secreting of vehicles
   (b) Willful non-payment of dues
   (c) Fraud such as forging RTO records, wrongful removal of hypothecation endorsement from RC, etc.

   The Complaints are made generally under Section 420 (Cheating); Section 406 (Criminal Brach of trust) and 120-B (Criminal Conspiracy) of the Indian Penal Code, 1860.

(iv) Application under Section 451 of the Code of Criminal Procedure, 1973 seeking interim custody of vehicles detained by statutory authorities like police, excise officials, forest officials, etc.

Given below are details of pending cases which have been filed by the Company

(i) Arbitration Cases -

   (a) There are 335 cases pending before the Arbitrators in Chennai for recovery of overdues and / or shortfalls from customers, in aggregate amounting to approximately Rs. 1,124.7lakhs .

(b) There are 36 cases filed by the Company in Chennai under Section 9 of the Arbitration and Conciliation Act, 1996 seeking attachment of property, pending before various courts in various states and are at various stages, in aggregate amounting to approximately Rs. 149.41lakhs.

(c) There are 30 cases filed by the Company under Section 9 of the Arbitration and Conciliation Act, 1996 seeking a Garnishee Order for recovery of dues from the customers, pending before various courts in Chennai and are at various stages, in aggregate amounting to approximately Rs. 102.28 lakhs.

(d) There are 4 cases filed by the Company under Section 9 of the Arbitration and Conciliation Act, 1996 seeking surrender of vehicle, pending before various courts in various states and are at various stages, in aggregate amounting to approximately Rs. 24.06 lakhs.

(ii) Civil cases -

(a) The Company granted vehicle finance facility under a hire purchase agreement to Dr. J Ramaiah for purchase of a car from M/s. Jayalakshmi Automotives Private limited, a dealer in automobiles. The dealer received the payments towards the purchase of car from the Company and released the car to Mr.J Srinivas, S/o. Dr. J Ramaiah. Neither Dr. J Ramaiah nor Mr. J Srinivas paid the installment dues. The dealer also failed to insure the said car. The car met with an accident and was completely damaged. The Company filed a civil suit no. 232/ 2004 before the Senior Civil Judge, City Civil Court, Hyderabad against the dealer, M/s. Jayalakshmi Automotives Private Limited, Mr. J Srinivas & Dr. J Ramaiah claiming damages of approximately Rs. 10.6 lakhs for non delivery of vehicle to Dr. J Ramaiah and willfully defrauding the Company with the intention of evading the installment due. The matter is pending for disposal.

(b) The Company granted a trade advance facility of Rs. 50 lakhs to M/s. Solar Automobiles, Bangalore (dealer) under a trade advance agreement to enable the dealer to book Maruti cars in advance. As per the terms of the agreement the dealer is required to refer its prospective customers to Company for availing vehicle finance. On availing the vehicle finance by the customer from the Company by virtue of the dealer's referral, the Company issues a conversion letter to the dealer to the extent of vehicle finance extended to the customer. On expiry of 90 days from the date of the Agreement, the unconverted trade advance, if any, is required to be refunded by the dealer to the Company. In the event of default, the dealer is required to pay interest @ 3% compounded monthly till final payment on the uncovered trade advances. M/s. Solar Automobiles defaulted in payment. The Company filed a civil suit no. CS. 329/2006 before the Hon'ble High Court, Chennai against Solar automobiles, claiming payment of outstanding trade advances together with interest amounting to approximately Rs. 18.8 lakhs. The matter is pending for disposal.

(c) There are three cases filed by the Company before the District Court, Chennai, seeking declaration of the rightful owner of money lying in the Company's fixed deposit belonging to deceased customers as against the claims made by third parties for an amount involving approximately Rs. 0.5 lakhs. The matter is pending for disposal. In these cases on alleged claims being made by a third party over the fixed deposits with the Company, the Company suo-motto files a suit before a District Court, deposits the amount due and payable to the deceased customers to the credit of the court's revenue, seeking the court to decide, declare and pay the same to the person entitled to receive the money so deposited with it and relieve the Company of its liabilities.

(d) A RTO, in Madikeri, a district in Karnataka, relying on the misrepresentation made by a customer, cancelled the endorsement of hypothecation made on the registration certificate of a vehicle. The Company filed a Writ Petition before the Hon'ble High Court, Karnataka seeking an order directing the RTO, Madikeri to restore the endorsement of Hypothecation. The matter is pending for disposal.

(e) A customer had availed vehicle finance from the Company under the hire purchase scheme for purchase of Tata Sumo. Later, the customer deceased and another creditor of the customer, to whom he owed money filed a civil suit claiming dues payable to him by the customer and obtained a decree to that effect. During the execution proceedings the said creditor sought an attachment of the vehicle financed by the Company,.. The Company filed an impleading petition

and sought for stay of execution proceedings as Mr. Sunil Bidkar had outstanding installment dues payable to the Company to the tune of Rs. 175,000/-. The Junior District Court dismissed the stay petition filed by the Company. The Company has preferred an appeal before the District Court, Pune against the orders passed by the Junior District Court. The matter is pending for orders.

(iii) Criminal cases -

(a) There are 2915 cases filed under section 138 of the Negotiable Instruments Act filed against the defaulted customers by the Company against dishonour of cheques given by its customers towards payment of installment dues and/ or towards payment of money falling short, even after the sale of vehicle, to wipe out the dues, pending before various authorities in various states and are at various stages, in aggregate amounting to approximately Rs. 2749.05 lakhs.

(b) There 50 private complaints filed under 156(3) of the Code of Criminal Procedure, 1973 pending before various courts in various states, filed against the police officials, alleging non-registration of complaints relating to secretion of vehicle and non payment of installment dues under Section 420 and 406 of the Indian Penal Code, 1960 by the customers. The money due and recoverable from customers, if such cases are registered in aggregate amounts to approximately Rs. 144.25 lakhs.

(c) A Criminal Complaint was filed by the Company against a customer before Chief Judicial Magistrate, Mangalore for committing forgery on RTO documents of the vehicle financed by the Company under Section 420 of the Indian Penal Code, 1960. The outstanding installment due amounts to Rs. 1.07 lakhs.

(d) There are 12 criminal complaints filed by the Company against its various customers before various courts in various states, for willful secretion of vehicle amounting to cheating and criminal breach of trust under Section 420 and 406 of the Indian Penal Code, 1860. The aggregate of outstanding dues amount to Rs. 91.03 lakhs.

(e) There are 16 criminal complaints filed by the Company before various courts in various states seeking release of vehicle financed by the Company, which were seized by the police officials. The aggregate of outstanding dues amounts to Rs. 45.41 lakhs. In such kind of cases the customer commits punishable offence using the vehicle finance by the Company and the police officials seize such vehicle. In such a scenario the Company files an application before the Court trying such cases seeking release and custody of vehicle to the Company till realization of all installment dues from the customer.

Involving the personal loans business

There are 252 cases filed under section 138 of the Negotiable instruments Act, by the Company for dishonour of cheques given by the customers towards payment of principal and/ or interest due on the personal loans taken from the Company, pending before various authorities in various states and are at various stages, in aggregate amounting to approximately Rs. 33.49 lakhs.

Other cases

(i) The Company has filed a case before the Hon'ble High Court, Chennai against Ms. L.M. Usha, a employee of the Company for misappropriation of funds to the tune of approximately Rs. 12.3 lakhs. She was dismissed from the services. The matter is pending before the Hon'ble High Court, Chennai for disposal.

(ii) 21 civil cases have been filed by the Company before various forums under Order VII Rule 1 of the CPC, against its customers who have availed various facilities from the Company like hire purchase, lease, bills discounting, letter of credit, etc for repayment of outstanding dues aggregating to Rs. 1,678 lakhs. The matter is pending disposal.

OUTSTANDING LITIGATIONS INVOLVING THE DIRECTORS OF THE COMPANY

The Directors of the Company (in their capacity as Directors) have been made parties in certain cases filed against the Company. The cases have been discussed under the heading "Cases filed against the Company" under section titled "Outstanding Litigations and Defaults" beginning on page 221 of this Letter of Offer.

OUTSTANDING LITIGATIONS INVOLVING THE PROMOTERS AND PROMOTER GROUP

Except as described below, there are no contingent liabilities not provided for, outstanding litigation, disputes, non payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by the company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for any economic/civil/ any other offences, involving our Promoters/ Promoter Group.

Carborundum Universal Limited ("CUL)

Contingent liabilities (Not provided for as of March 31, 2007) of CUL

(In Rs.lakhs)

Particulars	Amount
Excise duty	82
Service Tax	85
Sales Tax	223
Property Tax	67
Income Tax	901
Writ Appeals against Government/ statutory bodies	47
Labour Cases	Not quantifiable
A suit restraining CUL from initiating cheque dishonour action & claiming nominal damages.	Unascertained

Outstanding litigations filed against CUL

(i) Excise – There are 24 excise related cases pending at various stages before various authorities in respect of different types of disputes for amounts aggregating approximately Rs. 82 lakhs.

(ii) Service Tax – There are 4 service tax related disputes for amounts aggregating approximately Rs. 85 lakhs.

(iii) Sales Tax – There are 24 service tax related disputes for amounts aggregating approximately Rs. 230 lakhs.

(iv) Property Tax – There are 2 property tax related disputes for amounts aggregating approximately Rs. 67 lakhs.

(v) Income Tax – There are 17 income tax related appeals filed by the income tax department for an amount aggregating approximately Rs. 901 lakhs

(vi) Civil Cases – There are 4 cases filed by the Electricity Board against the Company in respect of different types of disputes for an amount aggregating approximately Rs. 5,840 lakhs out of which a provision for Rs. 548 lakhs has been made in the books.

(vii) Labour Cases – CUL is involved in 47 labour disputes pending at various stages before various authorities/ courts in respect of different types of disputes especially regarding reinstatement of workmen with back wages, compensation claims by legal heirs of the deceased workman, etc.

(vii) Motor Vehicle accident cases – There are 8 motor vehicle accident cases filed against CUL before the Motor Accident Claims Tribunal at various places for claims amounting to approximately Rs. 3,430 lakhs and pending for disposal.

(viii) Other cases –

(a) M/s. Parth Trading has filed an application for cancellation of Trade Mark registration 'Corborundum' before the Intellectual Property Appellate Board and is pending for enquiry.

(b) M/s. Ajay Marketing Agencies has filed a suit against CUL for restraining from initiating cheque dishonour action before the District Court, Kanpur and the same is pending for trial.

(c) Mr. Chunilal has filed a civil suit no. 3341/95 against CUL before City Civil Court, Kolkata for declaration of his ownership over 100 equity shares issued by CUL and for consequential injunction. The matter is pending for framing issues.

(d) All Sec Securities has filed a civil suit no. 556/ 97 against CUL before the Hon'ble High Court, Chennai for declaration of its ownership over 200 equity shares issued by CUL and for consequential injunction. The matter is pending for disposa) Ms. Dhanalakshmi has filed a family partition suit no. OS 501/ 96 against CUL and others before the Sub- Court, Poonamalle, Chennai, claiming money deposited with CUL in Fixed deposit. The matter is pending for disposal

Cases filed by CUL

There are 6 cases filed by the company before various authorities/ courts and are pending at various stages of the proceeding:

- Civil Cases: There are 3 cases pertaining to breach of contract pending before various courts for an amount aggregating approximately Rs. 2,100 lakhs.

There are two cheque bouncing cases pending before courts for a claim aggregating to approximately Rs. 3,800 lakh

- An Appeal against the order of the Kerala High Court which upheld the fixation of pre 1992 tariff by Kerala Electricity Board to industries which suffered power cut of more than 50% is pending before the Supreme Court of India. The disputed amount is Rs. 110 lakh
- A Writ challenging the claim of Provident Fund during the period of 1977-78 has been admitted & stayed by the Kerala High Court and is pending for final disposal. The disputed amount is Rs. 3 lakh
- A Writ challenging the order passed by the ESI Corporation against CUL has been admitted & stayed by the Madras High Court and is pending for final disposal. The disputed amount is Rs. 2 lakh
- A Writ challenging the SCN issued by the Department of Revenue, Tamil Nadu regarding acquisition of Pallikarannai factory land under the repealed Urban Ceiling Act is pending before the Madras High Court for final disposal
- A Writ challenging the notice of the Panchayat for payment of license fee for dangerous operations under the Panchayati Raj Act/ Rules has been stayed and is pending before Kerala High Court for final disposal. The disputed amount is Rs. 6 lakh

Coromandel Fertilisers Limited ("CFL")

Contingent liabilities (Not provided for as of March 31, 2007) of CFL

(In Rs. lakhs)

Particulars	Amount
Excise duty	471
Income Tax	2,900
Others	393
Labour Cases	Unascertained
Bills discounting	53.67

Cases filed against CFLi) Labour Cases – There are 40 cases of various nature pending before various tribunals/ courts at various stages. The disputed amounts of all the cases are unascertained except two cases, amounting in aggregate to approximately Rs. 22 lakhs.

Cases filed by CFL

There are 36 cases pending before various authorities/ courts at various stages for different cause of actions amounting to approximately Rs. 31,800 lakhs.

Godavari Fertilisers and Chemicals Limited ("GFCL")

Contingent liabilities (Not provided for as of March 31, 2007) of GFCL

(In Rs. lakhs)

Particulars	Amount
Income Tax	932.2
Sales Tax	329.3
Others	789.2
Employee related Cases	Not Quantifiable
Consumer cases	Not Quantifiable
Sample failure cases under Fertilisers Control Act	Not Quantifiable

Cases filed against GFCi) Income Tax – There are two disputes pertaining to Income Tax pending before the ITAT for an amount aggregating to Rs. 932.2 lakhs. i) Sales tax – There are 9 sales tax cases pending before various authorities/ tribunals/ courts for an amount aggregating to Rs. 329.3 lakhs.

(i) Others – There are seven cases pending before various authorities/ courts for various cause of actions for an amount aggregating to Rs. 789.2 lakhs.

Employee related Cases – There are 10 employee related cases pending before various courts, the disputed amount of the same is not quantifiablev) Consumer cases – A farmer of Hardra has filed a consumer case before District Consumer Forum, Harda, alleging that the DAP purchased by him was sub-standard. The case is under trial and the amount of claim is not quantifiable

i) Cases under Fertilisers Control Act – There are 9 cases pending before various authorities/ courts relating to sample failure at different stages.

Cases filed by GFCL:

GFCL has filed 33 recovery suits before various courts for a claim amount of Rs. 740.3 lakhs and 64 criminal cases for cheque dishonour.

New Ambadi Estates Private Limited ("NAEPL")

Contingent liabilities (Not provided for as of March 31, 2007)

(In Rs. lakhs)

Particulars	Amount
Land Dispute	Not Quantifiable
Labour Cases	Not Quantifiable

Outstanding litigation involving NAEPi) Land Dispute – There are four cases pertaining to land pending before various forums, the disputed amount of the same is not quantifiable.i) Labour cases – There is one labour dispute pending before Labour court, Thirunelvelli regarding a claim of tap salary, the disputed amount of the same is not quantifiable.

New Ambadi Investments Private Limited ("NAIPL") [Merged with NAEPL since August 31, 2007]

Contingent liabilities (Not provided for as of March 31, 2007) of NAIPL

(In Rs. lakhs)

Particulars	Amount
Income Tax	31.3

Outstanding litigation involving NAIPL

Income Tax – There are four cases relating to Income tax pending before various authorities for an amount aggregating to Rs. 31.3 lakhs.

Parry Agro Industries Limited ("PAIL")

Contingent liabilities (Not provided for as of March 31, 2007) of PAIL

(In Rs. lakhs)

Particulars	Amount
Income Tax	500
Sales Tax	1.8
Excise	5.8
Labour Cases	308.1
Land Disputes	Not Quantifiable
Others	93.8

Outstanding litigation involving PAIi) Income tax – There are various disputes pertaining to Income tax pending before various Appellate authorities for an amount aggregating to Rs. 500 lakhsi)Sales Tax – There are various disputes pertaining to Sales tax pending before various Appellate authorities for an amount aggregating to Rs. 1.8 lakhsi) Excise – The disputes pertaining to Central Excise are pending before various Appellate authorities for an amount aggregating to Rs. 5.8 lakhsv) Labour cases – There are 62 labour related cases pending before various authorities for an amount aggregating to approximately Rs. 308.1 lakhs, out of which disputed amount for 22 cases are not quantifiable.

- Mr. O. Raghunath, a workman of PAIL working in the Iyerpadi Estate was dismissed from service with effect from October 20, 1992 for misappropriation of Company funds by not paying the wages payable the contractors to the tune of approximately Rs. 0.8 lakhs after conducting domestic enquiries. He filed a case no. 137/ 93 before the Labour Court, Coimbatore challenging his dismissal. Labour Court vide its order dated September 3, 1999 ordered PAIL to re-instate Mr. O. Raghunath with full back wages and other benefits accrued and outstanding to him. PAIL has preferred a Writ no. WP 10105/ 2000 before the Hon'ble High Court, Chennai. The Hon,ble High Court vide its order dated October 18, 2000 directed the management to deposit Rs. 75,000/- with the court. The management deposited the said amount on November 16, 2000. The matter is pending for disposal.
- The Inspector of Plantation, Valparai had ordered conferment of 263 employees under Conferment of Permanent Status Act who were employed on a contract basis with PAIL. The management of PAIL has filed a batch of writs before the Hon'ble High Court, Chennai challenging the order passes by the Inspector of Plantation. Hon'ble High Court has ordered an interim stay of the said order. The back wages payable in the event of the writ being dismissed amounts to approximately Rs. 396.8 lakhs
- The Thehsildar, Valparai, ordered PAIL to pay LC and LCS. The Company by virtue of the amendment of the Municipality Act was required to pay only the land revenue. PAIL filed a Writ no. 23513/ 2001 before the Hon'ble High Court, Chennai through PAT Coimbatore. The Hon'ble High Court ordered an interim stay of the order of the Thehsildar. The matter is pending for disposa
- The Inspector of factories, Tamil Nadu has issued an order against PAIL directing not to employ women workman in its factory under Section 66 (1) (b) of the Factories Act, 1948. PAIL has filed a Writ no. 27059/ 2004 before the Hon'ble High Court, Chennai. The Hon'ble High Court has ordered an interim stay of the order issued by the Inspector of factories. The matter is pending for disposa
- Mr. Ganasen, a casual worker of Murugallai Estate had filed a petition no. ID. 54/ 97 before the Labour Court. The labour Court vide its order dated July 31, 1998 dismissed the petition. Mr. Ganesan has preferred a writ no. 11931/ 2001 before the Hon'ble High Court, Chennai. The matter is pending for disposa
- The AIUTC Union, Valparai has filed a claim before the Government of Tamil Nadu claiming permanency of workman as per the norms issued by the PAT. The Government has referred the matter for adjudication vide GO 878/ July 17, 1995 before the PAT, Coimbatore. The matter is pending for adjudicatio

- The workers of the Company went on a token strike on April 6, 1998 demanding wages at Kerala rates. The management deducted three days wages. The INTUC union filed a writ no. 11644/1998 before the Hon'ble High Court, Chennai. The Hon'ble High Court passed an order directing the management to refund the wages so deducted. The matter is now pending before PAT, Coimbator
- Inspector of Plantations, Valparai field a case for late submission of Form 23 (change of Manager) before the Judicial Magistrate Court, Valparai alleging violation of plantation rules. The complaint dismissed U/s 256 (1) Cr.PC for default. Inspector of Plantations filed an appeal no. STR 287/ 96 before the Hon'ble High Court, Chennai against the order of dismissal passsed by the Judicial Magistrate, Valparai. The matter is pending for disposal
- Ms. Chinnapillai is a permanent worker of Murugalli estate and sought permission to operate the cable for commercial purpose. On refusal of Management, she filed a writ no. 15354/ 1998 before the Hon'ble High Court, Chennai seeking permission to operate cables for commercial purpose. The Court has ordered stay on the said wri
- PAIL's canter lorry no. TN 41/0872 while plying to field No. 14 of KPL division of Murugalli estate belonging to PAIL on November 28, 1994 collided with a motor cyclist Mr. Vijayan. Mr.Vijayan filed a case no. CC 1076/ 1995 before Motor Accident Claims Tribunal, Irrinjalakuda. In the meantime Sri.Vijayan expired due to injuries. The tribunal awarded compensation of Rs.1,87,500/-, however as the compensation awarded was much lower then the actual amount claimed, Mr. Vijayan's legal heirs have preferred an appeal before the Hon'ble High Court, Kerala seeking higher compensation of Rs. 596, 250/-. The matter is pending for disposa
- PAIL's car No. TN 41 K 8653 met with an accident on October 2, 2002 near Pollachi while proceeding to Coimbatore. Ms. Aruljyoti suffered injuries in her left leg. She being a minor, her father has filed a claim no. MCOP 111/ 03 before the Motor Accident Claims Tribunal, Pollachi seeking compensation.
- Mr. Raman, a permanent worker of Murugalli estate belonging to PAIL misbehaved in the crèche belonging to the Company on December 21, 1999. A Domestic enquiry was conducted on December 15, 1999 and dismissed him from service. He filed a case no. ID 609/ 99 before the Labour Court, Coimbatore seeking reinstatement in service by offering him either a watcher job or a crèche job. The Labour Court vide its order dated August 2, 2001 directed the management to re-instate Mr.Raman with continuity of service with back wages. The management filed a writ no. 15773/ 2002 before the Hon'ble High Court, Chennai. The High Court vide its order dated May 18, 2002 granted interim stay. Mr. Raman was re-instated in creche from March 2, 2002 subject to appeal. After the stay order he was asked to do other works like plucking, etc. However he absented himself from work since June 29, 2002. He has filed a petition no. 802/02 before the ACL seeking crèche job and the ACL has sent a failure report to the Government. He has also filed another case no. ID 266/ 03 before the labour court seeking cattle keeper jo
- Mr. Chelliah, a worker, was dismissed for misbehaving with his superiors. He filed a case no. ID 597/ 91 before the Labour Court seeking compensation and re-instatement. The Labour Court ordered to pay an amount of Rs. 30000/- as compensation without reinstatement of service. Management filed a Writ No. 2676/ 2005 before the Hon'ble High Court, Chennai. The Hon'ble High Court passed orders in favour of the management. Mr. Chelliah has preferred an appeal No. WA. 7182/ 2005 before the Hon'ble High Court, Chennai seeking re-employment and back wage
- Mr. Mani, a casual worker working in Paralai estate belonging to PAIL has filed a case no. ID 99/ 2000 before the Labour Court, Coimbatore seeking permanency of his service. The matter is pending for disposal
- Mr. Ravichandran, a casual worker working in Paralai estate belonging to PAIL has filed a case no. ID 456/ 2000 before the Labour Court, Coimbatore seeking permanency of his service. The matter is pending for disposa
- Mr. S Sekar, a Lab Technician of IPD Hospital belonging to PAIL, voluntarily resigned from his service in 2003 and the same was accepted by the Management. Now he has filed a case no. ID 44/ 2004 before the Labour Court, Coimbatore for re-instatement. The matter is pending for disposa
- Mr. Thangavel, a workman engaged in spraying working sheikalmudi estate of PAIL accidentally slipped and fell down in the field and suffered a fracture in left Ulna distal end. Edaya Deivam MGR Thotta Thozhilalar sangam, Valparai filed a case no. WC 18/ 2005 on

behalf of Mr. Thangavel seeking a compensation of Rs. 0.5 lakhs before DCL, Coimbatore. The matter is pending for disposa

- Ms. Mariaselvam, a worker engaged in plucking green leaves accidentally slipped and fell down in the field and suffered Hairline fracture left fibula. The Anamalai National Trade Union Congress, Valparai has filed a case no. WC 42/ 2005 on behalf of Ms. Mariaselvam seeking compensation before DCL, Coimbatore. The matter is pending for disposa
- Ms. Ponmani's husband late Mr. Selvaraj, was employed as a supervisor in KPL division of Murugalli estate of PAIL. While supervising the plucking operations he reported of giddiness, vomiting and fainting, due to stress and strain in climbing a gradient area of the field during supervision. Thereafter he was taken to a hospital, however on August 11, 2000 Mr. Selvaraj died despite treatment. The Company Medical Officer certified that, due to stress in climbing the gradient field, his B.P. shooted up resulting in Cerebro Vascular accident and severe hypertension, thereby causing his death. Ms. Ponmani filed a case no. WC 18/ 2005 before DCL, Coimbatore. The matter is pending for disposa
- Mr. Perumal while atending the CTC machine relating to tea manufacturing process in the Mayura factory of PAIL, reported some discomfort feeling in his chest and he was admitted in a hospital for necessary treatment. On examining Mr. Perumal, the Company Medical Officer declared him as dead and certified as "sudden death caused by Massive Myocardial infarction". Mrs. Bhoopati, W/o. Mr. Perumal filed a case no. WC 54/ 2005 before the DCL, Coimbatore. The matter is pending for disposa
- Mr. Thangaraj, a workman of Iyerpadi estate, while engaged in spraying work on July 27, 1994 accidentally slipped and fell down in the field and suffered injury right leg. He has filed a case no. WC 108/ 2005 before the Workman Compensation Commission, Coimbatore claiming compensation of Rs. 44,140/-. The case is pending before DCL coimbator
- Mr. Solamuthu, a workman of murugalli estate, while engaged in weeding plants on February 15, 2006 slipped and fell down in the field and suffered Multiple fracture of both lower ulna and radius. Mr. Solamuthu filed a case no. WC 107/ 2006 before the Workman Compensation Commission, Coimbatore claiming compensation of Rs. 52,022/-. The case is pending before DCL, Coimbator
- Ms. Valliammal, a worker of Sheikalmudi Estate, while coming to work on September 8, 2005 accidentally slipped and fell down in the field and sustained Fracture in her left patella. She filed a case no. WC 135/ 2006 before the Workman Compensation Commission, Coimbatore claiming compensation. The case is pending before DC
- Mr. Sethuraman while returning from church, on the way back home collapsed and died. The union on his behalf has filed a case no 4/ 2006 before the Workman Compensation Commission, Coimbatore claiming compensation of Rs. 297,775/-. The case is pending before the DCL, Coimbator
- The workers of PAIL availed consumer loans from MCC Finance. A winding up petition no. 496/ 2001 against MCC is pending before the High Court,. The Official Liquidator has made a claim against PAIL to pay the amount due towards unpaid installments amounting to approximately Rs. 7.8 lakhs. The matter is pending adjudicatio

ii) Land Dispute – There are 26 cases pending before various authorities/ courts, the disputed amount of the same is not quantifiablei) Others – There are other cases of civil nature pending before various courts/ authorities for an amount aggregating to Rs. 93.8 lakhs.

Prodorite Anticorrosives Limited ("Prodorite")

Outstanding Litigations involving Prodorite

i) Labour Cases – There is one labour case pending before District Munsif Court, Tiruvattriyur restraining Prodorite from transferring the services of an employee from Chennai to Delhi.i) Others – There are two winding-up petitions filed by Prodorite against M/s. Rama Industries, Mumbai and M/s. Shriram Engineering Constructions, Chennai for recovery of the dues. M/s. Rama Industries has been declared as a sick industry by the BIFR and therefore the High Court, Mumbai has adjourned the winding up matter sine die. The winding up petition against M/s Shriram Engineering Construction was admitted by the High Court, Chennai but the same has been withdrawn as settled out of court.

Southern Energy Development Corporation Limited (SECDL)

Outstanding litigation involving SECDLWrit Petition

A Writ challenging the levy of electricity tax, additional tax and duty on captive generating plant is filed by SECDL before the High Court, Chennai and the levy has been stayed and is pending for final disposal. The disputed amount is Rs. 657 lakhs.

Sterling Abrasives Limited ("SAL")

Contingent liabilities (Not provided for as of March 31, 2007) of SAL.

(In Rs. lakhs)

Particulars	Amount
Income Tax	235.4
Sales Tax	18
Excise	1.9
Labour cases	Not Quantifiable
Employees' state Insurance matters	1.8

Outstanding litigation as of March 31, 2007 of SAi) Income Tax – There are two cases pending before various authorities for an amount aggregating to Rs. 235.4 lakhsi) Sales Tax – There are two cases pending before various authorities for an amount aggregating to Rs. 18 lakhsi) Excise – There are three cases pending before the concerned Deputy Commissioner of Central Excise for an amount aggregating to Rs. 1.9 lakhs.
ii) Labour Cases – There are twelve cases pending before various authorities, the disputed amount of the same is not quantifiable.

Tube Investments of India Limited ("TII")

Contingent liabilities (Not provided for as of March 31, 2007) of TII

(In Rs. lakhs)

Particulars	Amount
Income Tax	2,724
Estimated amount of contracts remaining to be executed on capital account	5,816
Excise	128
Sales Tax	566.5
Labour Cases	Not ascertainable
Bills drawn on customers and discounted with Banks	2,330

Outstanding litigation as of March 31, 2007

(i) Income Tax – There are 20 cases pending before various authorities/ courts for an amount aggregating to approximately Rs. 2,964 lakhs.

(ii) Excise – There are 4 cases pending before various authorities/ courts for an amount aggregating to approximately Rs. 128 lakhs.

(iii) Sales Tax – There are 52 cases pending before various authorities/ courts for an amount aggregating to approximately Rs. 566.5 lakhs.

(iv) Labour Cases – There are 29 labour cases pending before various authorities/ courts, the disputed amount of the same is not ascertainable.

(v) Others –

- National Wind Mill Employees Union filed a writ against TII & TNEB for removal of defective wind mills before High Court, Madras and the same is pending for final disposal. No monetary claim has been made.

- The Board of Trustees of the Port of Bombay had filed a case against TII for recovery of port trust charges on account of non removal of consignment. The case is pending before High Court, Mumbai and the disputed amount is approximatelty Rs. 5.4 lakhs.

- M/s. Shivani Enterprises, TII's C&F Agent has filed civil suit against TII for settlement of its account. The matter is pending before the Civil Judge, Delhi and the disputed amount is approximately Rs. 0.9 lakhs.

- One of the shareholders of M/s. Das Lagerway Limited (DLWL) filed a case before Company Law Board (CLB) for oppression and mismanagement against DLWL impleading TII as also a defendant, as DLWL had done a windmill project for TII. TII has obtained a stay of CLB proceedings against TII.

- Mr. Sundaravadivelu A, partner, Delvanai Agencies, has filed an injuntio suit restraining TII from interfereing with his business as TII initiated legal proceedings against Mr. Sundaravadivelu A for collection of trade dues.

Cases Filed by TII

There are 61 cases filed by TII and is pending before various authorities/ courts. The majority of these cases are cheque bouncing cases. The disputed amount in aggregate amounts to approximately Rs. 472.1 lakhs.

Cholamandalam MS General Insurance Company Limited ("CMGICL')

Contingent liabilities (Not provided for as of March 31, 2007)

(In Rs. lakhs)

Particulars	Amount
Income Tax	5.2
Sales Tax	48
Motor Accident cases (Third Party Claims)	2,640
Consumer/ Ombudsman cases	127.3

Outstanding litigation as of March 31, 2007 of CMGICL

(i) Income Tax – There are various Income Tax cases pending before various Income Tax Appellate authorities for an amount aggregating to approximately Rs. 5.2 lakhs.

(ii) Sales Tax – There are various Sales Tax cases pending before various Sales Tax Appellate authorities for an amount aggregating to approximately Rs. 48 lakhs.

(iii) Motor Accident Cases – There are 2601 motor accident cases pending before various tribunals/ courts for compensations claimed by the aggrieved third parties, for an amount aggregating to approximately Rs. 2,916 lakhs.

(iv) Consumer cases – There are 136 Consumer Cases pending before various Consumer redressal forums/ commissions alleging deficiency of service, for an amount aggregating to approximately Rs. 108.38 lakhs.

EID Parry (India) Limited ("EID")

Contingent liabilities (Not provided for as of March 31, 2007) of EID

(In Rs. lakhs)

Particulars	**Amount**

Particulars	Amount
Income Tax	526
Letter of credit and Bank Guarantees	5325
Sales Tax & Excise	563
Statutory Minimum Price for purchase of Sugarcane	1,115
Others	31.2

Outstanding litigation as of March 31, 2007 of EID

(i) Income Tax –

(In Rs. lakhs)

Sl. No.	Assessment Year	Brief Description of the Matter	Status	Amount
1.	2003-04	Disallowance of expenditure incurred towards earning dividend income, exempted from Income Tax	EID preferred an appeal before Commissioner of income Tax (Appeals) against the order passed by the Assessing Officer. The CIT(A) reduced the quantum of disallowance. The Income Tax department filed an appeal no. ITA 2243/06 before the Income Tax Appellate Tribunal against the order of CIT(A) and the matter is pending adjudication.	15.7
2.	2001-02 and 2003-04	Disallowance of set-off of MAT Credit before charging interest under Section 234B and 234C of the Income tax Act, 1961	EID preferred an appeal before Commissioner of Income Tax (Appeals) and the CIT(A) allowed the appeal. The Income Tax Department filed an appeal no. ITA 2243/06 before the Income Tax Appellate Tribunal against the order of CIT(A) and the matter is pending adjudication.	195
3.	1994-95 and 1995-96	Disallowance of contribution to Death Relief Fund as an admissible expenditure	EID preferred an appeal before the Commissioner of Income Tax (Appeals). The CIT(A) allowed the appeal. The Income Tax Department filed an appeal no. ITA 988/MDS/02 before the Income Tax Appellate Tribunal (ITAT) contending that the same is not allowable as per Section 40A(9) of the Income Tax Act, 1961 and the ITAT has passed an order directing the AO to verify the matter and allow deduction of the said expenditure.	0.2
4.	1994-95	Disallowance of sundry expenditure already written-off	EID preferred an appeal before the Commissioner of Income Tax (Appeals). CIT(A) allowed the appeal considering the same as bad debts written-off. The Income Tax Department filed an appeal no. ITA 987/MDS/02 before the Income Tax Appellate	0.4

Sl. No.	Assessment Year	Brief Description of the Matter	Status	Amount
			Tribunal (ITAT) and the ITAT has passed an order directing the AO to verify the matter and allow deduction of the said expenditure.	
5.	1992-93	Disallowance of contribution to Provident Fund under Section 43B as an admissible expenditure	EID preferred an appeal before the Commissioner of Income Tax (Appeals) and the said appeal was allowed. The Income Tax department filed an appeal no. ITA 1082/MDS/1997 before the Income Tax Appellate Tribunal (ITAT) against the order of CIT(A) and the matter is pending adjudication.	1.1
6.	1992-93, 1993-94, 1995-96 and 1996-97	Addition of Excise Duty payable on Closing Stock to the value of Closing Stock	EID preferred an appeal before the Commissioner of Income Tax (Appeals) and the said appeal was allowed. The Income Tax Department filed an appeal no. ITA 1082/MDS/1997 before the Income Tax Appellate Tribunal (ITAT) against the order of CIT(A) and the matter is pending adjudication.	9.5
7.	1992-93	Treatment of professional fees paid for conducting market survey of existing business as a capital expenditure	EID preferred an appeal before Commissioner of Income Tax (Appeals). The CIT(A) allowed the appeal treating the said expenditure as a revenue expenditure. The Income Tax Department filed an appeal no. ITA 1082/MDS/1997 before the Income Tax Appellate Tribunal (ITAT) against the order of CIT(A) and the matter is pending adjudication.	2.1
8.	1992-93	Treatment of the cost of purchase of share transfer forms as a capital expenditure	EID preferred an appeal before Commissioner of Income Tax (Appeals). The CIT(A) allowed the appeal treating the said expenditure as a revenue expenditure. The Income Tax Department filed an appeal no. ITA 1082/MDS/1997 before the Income Tax Appellate Tribunal (ITAT) against the order of CIT(A) and the matter is pending adjudication.	0.1
9.	1992-93	Allowance of only 1/6 of the total depreciation as an admissible expenditure under Section 35AB	EID preferred an appeal before Commissioner of Income Tax (Appeals). The CIT(A) allowed the appeal by allowing 100% deduction of depreciation under Section 35AB. The Income Tax	2.8

Sl. No.	Assessment Year	Brief Description of the Matter	Status	Amount
			Department filed an appeal no. ITA 1082/MDS/1997 before the Income Tax Appellate Tribunal (ITAT) against the order passed by CIT(A) and the matter is pending adjudication.	

(ii) Sales Tax & Excise – There are various Sales Tax cases & Excise matters pending before various Appellate authorities for an amount aggregating to approximately Rs. 563 lakhs.

(iii) Statutory Minimum Price for purchase of sugarcane – The government vide its order dated January 9, 2003 notified the price of sugarcane as Rs. 695/ MT, which was higher than the price notified by it on December 12, 2002 by Rs. 50/ MT. EID Parry (India) Limited through the South Indian Sugar Mills Association challenged the said increase as arbitrary before the Hon'ble Supreme Court of India. The disputed claim is Rs. 1,115 lakhs. The matter is pending disposal.

(iv) Others – Kolkata Port Trust filed a petition no. 772/D/2006 before the Estate Office, Kolkata, claiming arrears of rent of Godown amounting to Rs. 31.2 lakhs. The claim of arrears of rent is based on the enhanced rent announced by the Kolkata Port Trust and not as per the lease agreement entered between EID Parry (India) Limited and the Kolkata Port Trust. The matter is pending disposal.

Cases filed by EID

1. Johnson Pedder Limited was merged with EID Parry (India) Limited in the year 1999. Consequent to amalgamation a land belonging to Johnson Pedder Limited was transferred to EID Parry. The Registrar of Property sent a notice requesting the EID to furnish the details of value of the land to ascertain the stamp duty. EID filed a Writ No.628/ 2003 before the Hon'ble High Court, Madhya Pradesh against the Registrar seeking an order restraining the registrar from imposing stamp duty since the transfer was due to amalgamation. The matter is pending disposal.

2. A writ no. 629/ 2003 was filed by EID before the Hon'ble High Court , Madhya Pradesh seeking an order restraining the Registrar from claiming the registration charges for transfer of assets from Johnson Peddar to EID Parry consequent to amalgamation.

3. Cauvery Sugars and Chemicals Limited (CSCL), now merged with EID Parry (India) Limited, filed a case before the Arbitral Tribunal against Star Grain Shipping Company , for recovery of money amounting to approximately Rs. 900 lakhs for sugar supplied to it. The Tribunal passed an order in favour of CSCL. The Star Grain Shipping Company has preferred an appeal no OP 374/ 2005 before Hon'ble High Court, Madras seeking damages alleging breach of contract.

4. The Tamil Nadu State Government issued a demand notice against EID demanding arrears of water charges of Rs. 31 lakhs, for drawing water from the Palar River, a government resource. EID Parry filed a writ petition no. 35070/ 2003 before the Hon'ble High Court, Madras. The matter is pending disposal.

Parry Chemicals Limited

There are 4 cases filed by Parry Chemicals Limited against its various customers for dishonour of cheque under Section 138 of the Negotiable Instruments Act, 1881 before the VII Metropolitan Magistrate for an amount aggregating to approximately Rs. 2.7 lakhs. All the matters are pending for issue of summons.

Yelnoor Khan Group of Estates

Outstanding litigation as of March 31, 2007

1. Mr. Babu Rao had filed a case no. WCF 7/93 before the Commissioner of Workman Compensation alleging death of his son Mr. Babu while working in the Estate on October 15, 1992. He was

engaged in spraying pesticides/ insecticides on the plants in the Estate. Mr. Babu absented himself from coming to work from September 29, 1992. Necessary notice was sent to him and also a notice was affixed in a conspicuous place on the walls of the quarters where he was residing. The Commissioner passed an order directing the management to pay a compensation of Rs. 51,225/- together with interest @ 6% p.a. from October 15, 1992, translating to Rs. 79,300/-. The Management deposited Rs. 79,300 with the Commissioner on December 20, 2001 and preferred an appeal before the Hon'ble High Court, Karnataka. The matter is pending disposal.

2. On June 6, 2002 Mr. Shiva fell down from a tree which shade lopping and suffered injuries in his right hand and right eye. The commissioner of workman compensation awarded a compensation of Rs. 697,32/- to be paid by the Insurance Company and Rs. 180,14 towards interest to be paid by the Yelnoor Khan management. On an appeal by the Yelnoor Khan Management and the Insurance Company vide appeal no. MFA 8618/ 2004, the Hon'ble High Court passed an order directing the Yelnoor Khan Management to pay even the compensation amount alongwith interest to Mr. Shiva, as he was employed on a contract basis under Mr. Subramaniam, a Contractor and therefore the Insurance Company is not liable to pay compensation to workman employed on contract basis. The Court held that it was the liability of the principal employer to pay the compensation and not that of the Insurance Company. The matter is pending disposal.

3. Mr. Annappan was dismissed from service on March 24, 2005 for committing a major misconduct while in service after conducting a proper domestic enquiry. Mr. Annappan has filed a case before the Labour Court, Chickmangalur claiming reinstatement with back wages, alleging that the management failed to give him sufficient opportunity of being heard and therefore failed to observe the principles of natural justice. The matter is pending disposal.

4. Mr. Shankarpani has filed a case no.WCA/NF/19/06 against the Yelnoor Khan Management claiming compensation for the injuries sustained by him while shade lopping in the Estate, before the Workman Compensation Commission. As the compensation claimed is not quantified the same is unascertainable. Mr. Shankarpani fell from a tree while shade lopping on May 5, 2005 and sustained a fracture in his L1 vertebra. He has alleged to have sustained 20% injuries and that he has been drawing Rs. 3000/- p.m. The matter is pending for disposal before the Commission.

5. The Yelnoor Khan Estates is holding and enjoying approximately 1.5 acres of land in survey no. 61 of Pandaravalli village for more than 45 years, for which it has no records. Ms. Gouramma, a neighbour to the said land had requested the government to conduct a survey to enable her to locate 8 acres of land belonging to her. A notice was served by the government surveyor for conducting a survey on the land of Yelnoor Khan Estates. The Yelnoor Khan Estate objected the said survey and also obtained an endorsement from the revenue department to the effect that the said 1.5 acres of land in survey no 61 belongs to KKD Estate (owned by Yelnoor Khan Estates). Ms. Gouramma has filed a civil suit no. OS 148/ 2006 before the district court alleging forcible encroachment in her land. The matter is pending disposal.

6. The Yelnoor Khan Estates have a drinking water source at Jensury. The Chikmangalur Jilla Parishat commenced building culverts just above the Yelnoor Khan Estates' drinking water source at Jensury. Yelnoor Khan Estates filed a suit before the munsif court, objecting the said construction as the same if allowed would contaminate the Yelnoor Khan Estates' drinking water source. The Munsif court dismissed the case and Yelnoor Khan Estates has preferred an appeal no. RA 44/ 98 before the District Court against the munsif court's order. The matter is pending disposal.

7. Yelnoor Khan Estates purchased 4 acres of land in survey no. 307 (old no. 254), chickmangalur, from Mr. K S Rajanna and his children vide sale deed dated August 8, 1994. Mr. Vishwanath and Mr. Basavaraj, brothers of Mr. K S Rajanna had filed a case before the District Court claiming share in the property sold to Yelnoor Khan. The District Court passed an order in favour of Yelnoor Khan Estates and dismissed the case. Mr. Vishwanath and Mr. Basavaraj has preferred an appeal no. OS 85/ 95 before the Hon'ble High Court, Karnataka and the matter is pending disposal.

Ambadi Enterprises Limited ("AEL")

Contingent liabilities (Not provided for as of March 31, 2007) of AEL

(In Rs. lakhs)

Particulars	Amount
Income Tax demands under appeal	33.3
Excise	33.5
Liability on guarantees issued by bankers	13.5
Liability on guarantee given to bankers on behalf of associate company	100
External development charges raised by Haryana Urban Development Authority	1.9
Estimated costs of contracts remaining to be executed	189

Outstanding litigation as of March 31, 2007

(i) Income Tax – There are various Income Tax appeals pending before various Income Tax Appellate Tribunals/ courts for an amount aggregating to approximately Rs. 33.3 lakhs.

(ii) Excise – There are various Excise cases pending before various Central Excise and Sales Tax Appellate Tribunal/ courts for an amount aggregating to approximately Rs. 15.2 lakhs.

(iii) Statutory Dues – AEL owes an amount of approximately Rs. 1.8 lakhs to the Haryana Urban Development Authority towards external development charges.

DBS Cholamandalam Securities Limited (DCSec)

Contingent liabilities (Not provided for as of March 31, 2007)

(In Rs. lakhs)

Particulars	Amount
Income Tax	809.1

Outstanding litigation as of March 31, 2007

(i) Income Tax

(In Rs. lakhs)

Sl. No.	Assessment Year	Brief Description of the Matter	Status	Amount
1.	2001-02	Disallowing depreciation on the subscription of BSE membership	The Company has preferred an appeal before the Commissioner of Income Tax (appeals) against orders of the Assessing Officer, Commissioner of income Tax (Appeals) has rejected the additions made by the Assessing officer. However the Income Tax Department has preferred an appeal with the Income Tax Appellate Tribunal. The matter is still pending adjudication.	59.4
2.	2003-04	Disallowing depreciation on the subscription of BSE membership	The Company has preferred an appeal before the Commissioner of Income Tax (appeals) against orders of the Assessing Officer, Commissioner of income Tax (Appeals) has rejected the additions made by the Assessing officer. However the Income Tax Department has preferred an appeal with the Income Tax Appellate Tribunal. The matter is still pending adjudication.	33.4

Sl. No.	Assessment Year	Brief Description of the Matter	Status	Amount
3.	2004-05	Disallowing depreciation on the subscription of BSE membership and adding back the amount outstanding and payable to creditors for more than one year	The Company has preferred an appeal before the Commissioner of Income Tax (appeals) against orders of the Assessing Officer. The matter is still pending adjudication.	25

(ii) Others – SEBI vide an Order dated January 27, 2005 directed that the certificate of registration of DBS Cholamandalam Securities Limited be suspended for a period of two months for acceptance of payment through cheques from third parties for purchases made by clients. DBS Cholamandalam Securities Limited had filed an appeal against the said Order before Securities Appellate Tribunal (SAT). SAT revised the suspension order of SEBI to a mere waning letter.

APPROVALS AND LICENSES

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further material approvals are required from any Government authority or the RBI to continue such activities. We have received the following Government approvals that are material to our business:

APPROVALS FOR THE ISSUE

Apart from the approval of the Board, the Company needs no other approvals from any regulatory authority.

The Board approved the issue of equity shares on rights basis in the Board meeting dated January 24, 2007. Subsequently, in its Board meeting dated June 22, 2007 the Board approved the attaching of detachable warrants to the equity Shares being offered on rights basis.

The Company has filed a letter dated July 19, 2007 with the RBI seeking RBI's approval for OCB to subscribe in the Offering.

APPROVALS FOR OUR BUSINESS

PAN

AAACC126H dated July 14, 2006 (date of revised PAN in the new name of the Company).

Tax Deduction Account Number (TAN)

CHEC00072C

RBI Certificate

Certificate of Registration No. B.07-00306 dated December 11, 2006 issued by the RBI under section 45- IA of the RBI Act, 1934 granting registration to carry on the business of a non banking financial institution as a non-deposit taking company.

Service Tax

Service Tax Registration Certificate No. HPEL/ Chennai-I/ 004/ STC dated August 7, 2001 issued by the Superintendent of Central Excise – Service Tax cell, Central Excise Commissionerate

Tamil Nadu Value Added Tax

Registration No. 33780100494 (TIN No.) dated January 12, 2007 issued by Commercial Tax Officer

Others

(i) The branches of the Company are registered under the provisions of the Employees State Insurance Corporation Act as applicable.

(ii) The branches of the Company are registered under the provisions of the various Shops and Establishments Acts, as applicable.

STATUTORY AND OTHER RELEVANT INFORMATION

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on January 24, 2007, it has been decided to offer equity shares on rights basis. Subsequently, the Board by way of a resolution passed at its meeting on June 22, 2007 approved the attaching of detachable warrants to the equity Shares being offered on rights basis.

PROHIBITION BY SEBI

Neither our Company, nor our Promoters, our directors, or any of our Promoter Group Companies the companies or entities with which our directors are associated with, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

Neither we nor our Directors, our Promoters, Promoter Group Companies or relatives of Promoters have been detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The Listing of any securities of the Issuer has never been refused at anytime by any of the Stock Exchanges in India.

ELIGIBILITY FOR THE ISSUE

Cholamandalam DBS Finance Limited is an existing listed Company registered under the Companies Act, 1956 whose equity shares are listed on Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and the Madras Stock Exchange Limited (MSE). It is eligible to offer this Rights Issue in terms of Clause 2.4(iv) of the SEBI (DIP) Guidelines, 2000.

STATUTORY DECLARATION

(i) The Issuer Company accepts full responsibility for the accuracy of the information given in this Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts, the omission of which make any statement in this Letter of Offer misleading and further confirm that they have made all reasonable inquiries to ascertain such facts. The Issuer further declares that the Stock Exchange to which an application for listing has been made do not take any responsibility for the financial soundness of this Offer or for the price at which the equity shares are offered, or for the correctness of the statements made or opinions expressed in this Letter of Offer.

(ii) In the opinion of the Directors of the Company, there are no circumstances that have arisen since the date of the last financial statement disclosed in the Letter of Offer, that materially or adversely affect or are likely to affect the performance or profitability of the Company or value of its assets or its ability to pay its liabilities, within the next twelve months.

(iii) The funds received against the Rights Issue will be kept in a separate bank account(s) and the Company will not have any access to such funds unless it satisfies NSE (the Designated Stock Exchange) with suitable documentary evidence that the minimum subscription of 90 per cent of the Issue has been received by the Company.

SEBI DISCLAIMER CLAUSE

AS REQUIRED A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MANAGER, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH

SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JULY 23, 2007 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATION 1992 WHICH READS AS FOLLOWS:

(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE DRAFT LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANOTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(D) BESIDE US, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.

(E) IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' ONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE

The filing of the Draft Letter of Offer does not, however absolve the company from any liabilities under Section 63 or 68 of the Companies Act, 1956, or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up at any point of time, with the Lead Manager for any irregularities or lapses in the Draft Letter of Offer.

The Board of Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Letter of Offer has been suppressed/ withheld and/or incorporated in the manner that would amount to mis- statement/ mis- representation and in the event of its transpiring at any point of time, allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/or amounts to a mis-statement/ mis-representation, the

Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act, 1956.

CAUTION STATEMENT

The Issuer Company and the Lead Manager accepts no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or in any other material issued by the company or by any other person at the instance of the Company including website of the Company, www.choladbs.com and any one placing reliance on any other source of information would be doing so at his/her/their own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity shareholders in any manner whatsoever including at presentations, in research or sales reports etc after filing of this Letter of Offer with SEBI.

DISCLAIMER IN RESPECT OF JURISDICTION

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Chennai, India only.

The distribution of the Letter of Offer and the Issue of Equity Shares on a Rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons in whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Chennai, India only.

The Draft Letter of Offer has been filed with SEBI, at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051, for its observations. After SEBI gives its observations, the final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Act.

UNITED STATES RESTRICTIONS

NEITHER THE RIGHTS ENTITLEMENTS NOR THE EQUITY SHARES THAT MAY BE PURCHASED PURSUANT THERETO HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF (THE "UNITED STATES" OR THE "U.S.") OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "US PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RIGHTS REFERRED TO IN THIS LETTER OF OFFER ARE BEING OFFERED IN INDIA, BUT NOT IN THE UNITED STATES. THE OFFERING TO WHICH THIS LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY SHARES OR RIGHTS FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SHARES OR RIGHTS. ACCORDINGLY, THIS LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME, EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. NEITHER THE COMPANY NOR ANY PERSO N ACTINGON BEHALF OF THE COMPANY WILL ACCEPT SUBSCRIPTIONS FROM ANY PERSON, OR THE AGENT OF ANY PERSON, WHO APPEARS TO BE, OR WHO THE COMPANY OR ANY PERSON ACTING ON BEHALF OF THE COMPANY HAS REASON TO BELIEVE IS, A RESIDENT OF THE UNITED STATES AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THIS LETTER OF OFFER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE COMPANY IS INFORMED THAT THERE IS NO OBJECTION TO A UNITED STATES SHAREHOLDER SELLING ITS RIGHTS IN INDIA. RIGHTS MAY NOT BE TRANSFERRED OR SOLD TO ANY U.S. PERSON.

LISTING

The equity shares of the company are listed at Bombay Stock Exchange Limited (BSE), National Stock Exchange (NSE), and The Madras Stock Exchange Limited (MSE). Members of the company in their general meeting held on December 8, 2003 passed a special resolution to delist the shares from Coimbatore Stock Exchange (CoSE). However, the Company has not received approval of delisting from CoSE. The Company has made applications to the BSE, NSE and MSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. The Company has received in-principle approvals from BSE, NSE and MSE by letters dated August 8, 2007, August 9, 2007 and August 13, 2007 respectively. The Company will apply to the BSE NSE and MSE for listing of the Equity Shares to be issued pursuant to this Issue.

NSE shall be the designated stock exchange. If the permission to deal in and for an official quotation of the securities is not granted by the Designated Stock Exchange, within six weeks from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Letter of Offer. If such money is not repaid within eight days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest, as prescribed under Section 73 of the Companies Act 1956.

DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (BSE)

BSE has given vide its letter dated August 8, 2007 permission to the Issuer to use the Exchange's name in the Draft Letter of Offer as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized the Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. The Exchange does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Letter of Offer; or (ii) warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; or (iii) take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of this Issuer; and its should not for any reason be deemed or construed that the Draft Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)

As required, a copy of the Draft Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated August 9, 2007 permission to the Issuer to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE MADRAS STOCK EXCHANGE LIMITED (MSE)

"The Madras Stock Exchange Limited, Chennai" ("the Exchange"), vide its letter No. MSE/SO/LD/738/448/07 dated August 13, 2007 has given permission to this company to use the Exchange's

name in this offer document as on which the company's securities are proposed top be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

Madras Stock Exchange Limited does not in any manner-

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that the company's securities will be listed or will continue to be listed on the Madras Stock Exchange, or
3. Take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company,

It should not, for any reason, be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Madras Stock Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever."

FILING

The Draft Letter of Offer has been filed with Securities and Exchange Board of India at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051. . All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchanges have been complied with.

DEMATERIALISED DEALING

The Company has agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and its Equity Shares bear the ISIN No. INE121A01016.

IMPERSONATION

ATTENTION OF THE APPLICANTS IS SPECIFICALLY DRAWN TO THE PROVISIONS OF SUB-SECTION (1) OF SECTION 68A OF THE COMPANIES ACT, 1956 WHICH IS REPRODUCED BELOW:

"ANY PERSON WHO-

(a) **MAKES IN A FICTITIOUS NAME AN APPLICATION TO A COMPANY FOR ACQUIRING, OR SUBSCRIBING FOR, ANY SHARES THEREIN, OR**

(b) **OTHERWISE INDUCES A COMPANY TO ALLOT OR REGISTER ANY TRANSFER OF SHARES THEREIN TO HIM, OR ANY OTHER PERSON IN A FICTITIOUS NAME, SHALL BE PUNISHABLE WITH IMPRISONMENT FOR A TERM WHICH MAY EXTEND TO FIVE YEARS."**

CONSENTS

Consents in writing of the Directors, Compliance Officer, Auditors, Lead Manager, Registrar to the Issue, Bankers to the Company, Bankers to the Issue, Legal Advisors to act in their respective capacities have been obtained and filed with Stock Exchanges at the time of filing this Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditor of the company have given their written consent for the inclusion of their report in the form and content as appearing in this Letter of Offer and such contents and reports have not withdrawn upto the time of delivery of this Letter of Offer to SEBI and Stock Exchanges.

To the best of our knowledge there are no other consents required for making this Issue. Should the need arises the necessary consents required for making this issue shall be obtained by us.

EXPERT OPINION

The Company has not obtained expert opinion for this issue.

ISSUE EXPENSES

The expense for this issue includes issue management fees, registrar fees, printing and distribution expenses, legal fees, advertisement expenses, stamp duty, depository charges and listing fees to the Stock Exchanges among others. The total expenses for this issue are estimated not to exceed Rs. 155.75 lakhs.

Category	Estimated expenses (Rs. in lakhs)	% of total Issue Size
Fees to the Lead Manager	100	0.50
Fees for the Registrar to the Issue, Legal advisors and auditors	39	0.20
Advertising and Publicity Expenses	8.5	0.04
Printing, Postage, Stationery Expenses	6.25	0.03
Contingency, Stamp duty, Listing Fees	2	0.01
Total	**155.75**	**0.78**

Fees Payable to the Lead Manager

The total fees payable to the Lead Manager for the Issue will be as per the letter-dated March 26, 2007 a copy of which is available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated July 13, 2007, copy of which is available for inspection at the Registered Office of the Company.

DATE OF LISTING ON THE STOCK EXCHANGES

The Equity Shares of the Company were first listed on the MSE, followed by listing on the BSE, NSE and CoSE. Thereafter, the equity shares of the Company were delisted from the CoSE with effect from March 31, 2004.

PROMISE Vs PERFORMANCE

Company

The Company had made a rights issue of 12,649,517 equity shares of Rs.10 each for cash at a premium of Rs.45 per equity share in March 2004. Since the promised future performance of the Company was not presented in the offer document, a comparison of the Company's actual performance vis-à-vis the projections made in the offer document is not possible.

The Company had made a rights issue of 8,434,113 new equity shares of Rs.10 each at a premium of Rs. 25 per share in March 2003. Since the promised future performance of the Company was not presented in the offer document, a comparison of the Company's actual performance vis-à-vis the projections made in the offer document is not possible.

We made a composite issue in January 1995, wherein 42,49,900 Equity Shares of Rs. 10 each for cash at a premium of Rs. 45 per Share aggregating to Rs, 23,37,44,500 were offered on a rights basis alongwith a public issue of 42,49,900 equity shares of the face value Rs. 10 each per equity share for cash at a premium of Rs. 90 per share aggregating Rs. 42,49,90,000. In the letter of offer / prospectus filed in relation to the rights issue and public issue respectively, the Company has projected a PAT of Rs. 1,645 lakhs, Rs. 2,490 lakhs and Rs. 2,990 lakhs for the FY 1995, 1996 and 1997 respectively. There was a shortfall in the actual performance of Rs. 26 lakhs, Rs. 436 lakhs and Rs. 780 lakhs for the respective years.

The Company had also made a Rights Issue of 4,460,085 new equity shares of Rs.10 each at a premium of Rs. 20 per share in March 1993.

	1992-93		1993-94		1994-95		1995- 96		1996 -97	
	Promise	**Actual**	**Promise**	**Actual**	**Promise**	**Actual**	**Promise**	**Actual**	**Promise**	**Actual**
Income	330	319.1	450	451.1	6,50	670.8	10,000	10,161	13,500	13,929
Expenses										
Financial Charges	167	156.5	230	200.7	330	292.7	3,470	4,236	4,520	6,417
Non-cash charges	85	93.5	120	116	190	149.7	2,400	2,601	3,650	3,532
operating expenses	24	25.3	30	36.1	37.5	50.2	650	719	850	980
Profit Before Tax	54	42.6	70	97.2	92.5	179.4	3,480	2,604	4,480	2,885
Tax	15.2	5	17.5	12	22.5	17.5	990	550	1,490	675
Profit After Tax	38.8	37.6	52.5	85.2	70	161.9	2,490	2,054	2,990	2,210
Equity	87.1	85	87.1	85	87.1	170	1,700	1,700	1,700	1,700
Networth	314	262	392.9	317.9	392.9	1,058.4	12,848	12,014	15,238	13,390
Book Value (Rs.)	36.1	30.8	39.6	37.4	45.1	62.3	75.57	70.68	89.63	78.77
Dividend	13.2	12.9	21.8	29.7	21.8	45.5	35	40	35	45
Earnings Per Share (Rs.)	4.2	7.6	6.0	10.02	8.0	13	15	12	18	13

The Company being an NBFC has to maintain a capital adequacy ratio as prescribed by Reserve Bank of India. The object of this issue as well the past two issues have been to maintain the capital adequacy ratio above the minimum regulatory requirement. The proceeds of the last two issues supported the Company in maintaining the capital adequacy ratio within the prescribed requirement and the proceeds were used in the normal course of business of the Company viz., in its disbursements, repayment of loan etc.

Promoter Group

EID Parry (India) Limited

Rights Issue of 3537200-15% Partly Convertible Debentures of Rs.150 each aggregating to Rs.53.55 crores in August 1993.

	1993-94		1994-95		1995-96		1996-97	
	Promise	**Actual**	**Promise**	**Actual**	**Promise**	**Actual**	**Promise**	**Actual**
Sales and other income	50,355	46,629	56,239	53,941	63,861	73,481	70,366	78,136
PBDIT	4,1515	4,083	4,750	3,856	8,270	5,021	9,914	7,663
Depreciation	890	833	1,097	1,003	2,181	1,294	2,467	1,931
Interest	1,516	1,645	1,903	142	2,685	1,055	2,396	2,274
PBT	1,745	1,605	1,751	2,711	3,404	2,672	5,051	3,458
PAT	1,303	1,575	1,494	2,321	2,661	2,672	3,007	3,008
Dividend (amount)	235	269	428	507	428	612	428	758
Dividend (percentage)	30	33	30	36	30	36	30	40
EPS	9.70	17.78	10.48	16.48	18.66	15.00	21.09	15.46
Equity capital	1,426	1,020	1,426	1,557	1,426	1,781	1,426	1,781
Reserves and surplus	10,447	7,521	11,514	21,391	13,747	26,804	16,326	29,001
Book value (Rs)*	83.26	83.00	90.74	147.00	106.40	160.00	124.49	172.00

*Excluding Revaluation Reserve and Amalgamation Reserve.

The financial projections in the offer document dated 22nd July 1993 for the 4 years from 1993-94 to 1996-97 were made based on the following:

i) Rights issue of 3537200-15% Partly Convertible Debentures of Rs.150 each aggregating to Rs.53.55 crores.
ii) Public issue of 4000000- Partly Convertible Debentures of Rs.200 each aggregating to Rs.80 crores. The company did not go for public issue. However, during the year 1994-95 the company raised USD 40 million through GDR issue.

The Capital structure of the company and the amount raised were different from the assumption made for the projections published in the Letter of Offer in August 1993. Therefore the financial projections made in the offer
document are not strictly comparable with the actual performance. The projects mentioned in the offer document with certain modifications/enhancements and certain additional projects taken up by the company were completed.

Carborundum Universal Limited

Rights Issue of 15% Secured Partly Convertible Debentures of Rs. 130 each for cash aggregating to Rs.33.73 Crores in 1992

	1992-93		1993-94		1994-95	
	Promise	**Actual**	**Promise**	**Actual**	**Promise**	**Actual**
Sales and other income	13,783	13,084	16,278	14,363	18,378	15,931
PBDIT	2,868	2,316	3,895	2,583	4,581	3,067
Interest	740	921	792	875	890	978
Depreciation	713	566	1,011	494	1,183	675
PBT	1,415	830	2,092	1,214	2,508	1,414
Tax	582	187	791	208	1,116	29
PAT	833	643	1,301	1,006	1,392	1,385
Equity share capital	835	835	1,107	1,107	1,107	1,107
Reserves and surplus (net of revaluation reserve)	4,139	3,866	6,470	5,820	7,530	6,856
EPS	9.98	7.70	11.75	9.09	12.57	12.51
Book value	58.53	56.30	67.80	62.57	76.78	71.93

The issue was made to finance the establishment of a hydroelectric power project in Kerala and modernisation / expansion of the bonded abrasives, electrocast refractories and electrominerals divisions. All these projects have been implemented.

OPTION TO SUBSCRIBE

Save as described in this Letter of Offer, the Company has not given any person any option to subscribe to the shares of the Company.

PROCEDURE FOR HANDLING INVESTORS' COMPLAINTS AND INVESTOR GRIEVANCES

The Company has qualified and experienced staff in its Secretarial Department which closely monitors and coordinates with its RTA, for attending to and resolving the complaints of its shareholders. The Company attempts or uses its best endeavors jointly with the RTA, to ensure that complaints are minimal and that all complaints are resolved satisfactorily. The Company ordinarily attempts to dispose the complaints within four weeks of receipt of complaints. The Company Secretary supervises the process of redressal of grievances. The Company's name has never appeared in the press release issued by SEBI regarding maximum number of complaints received from investors.

A Shareholders/Investors Grievances Committee was constituted on March 12, 2001. The Committee presently consists of directors Mr. V P Mahendra, Mr. N Srinivasan and Mr. Pranam Wahi. Mr. Mahendra is the Chairman of the Committee. All investor grievances received by the Company have been handled by the Share Transfer Agent in consultation with the Company Secretary.

KARVY Computershare Private Limited will be acting as Registrar to the Issue with whom the Company has made arrangements for attending to the investor's complaints. However, investors can also address their grievances to the Company Secretary and Compliance Officer of the Company, who will coordinate all matters related to the investors' grievances expeditiously with the Registrars & Transfer Agents. The Company would make all efforts to deal with and redress investors' complaints within 30 days of their receipt.

Complaint letters should be either typewritten or legibly handwritten quoting folio number, application number, number of equity shares applied for, name and address of the first applicant, name and address of the Bank, branch where application was submitted with date thereof, and the date of receipt by the Registrars to the Issue in case application was sent by post. **The Company has appointed Company Secretary, as the Compliance Officer. Envelopes containing the complaints should be addressed to:**

COMPLIANCE OFFICER

Ms. P. Sujatha
'Dare House' No. 2,
N.S.C Bose Road,
Parrys,
Chennai – 600 001,
Tel: (+91 44) 2534 6400 / 2530 7055
Fax: (+91 44) 2534 6464
Email: nsujatha@choladbs.murugappa.com
Website: www.choladbs.com

STATUS OF COMPLAINTS

Total number of complaints received & resolved during the last financial year (2006-07): NIL

Total number of complaints received & resolved during the period 1 April 2007 to 30 June 2007: Two

Status of the complaints: The two cases pertained to non receipt of dividend warrant have been resolved

Time normally taken by it for disposal of various types of Investor grievances: The redressal norm for response time for all correspondence including shareholders complaints is 4 days.

GOVERNMENT APPROVALS

Our Company was incorporated on August 17, 1978 under the Indian Companies Act, 1956. We have obtained all necessary approvals to undertake our activities and we do not propose to enter into any new activities through this Issue, for which further approvals may be required to be obtained, except as may be required to be obtained in the normal course of our business and for intended use of Objects of the Issue. For further details, please refer to the section on "Approvals and Licences" on page 244 of this Letter of Offer.

ISSUE SCHEDULE

Issue Opening Date:	September 28, 2007
Last Date for receiving requests for split forms:	October 12, 2007
Issue Closing Date:	October 29, 2007

CHANGE IN AUDITORS

M/s. Price Waterhouse, Chartered Accountants retired at the twenty seventh annual general meeting held on July 26, 2005 and after that M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai were appointed as auditors of the Company and are still continuing as Statutory Auditor of the Company.

CAPITALISATION OF RESERVES OR PROFITS

The Company has not capitalized its reserves or profits at any time except for bonus issue in 1990 of 800,000 shares of Rs 10 each.

REVALUATION OF ASSETS

There has been no revaluation of the assets of the company in the last five years.

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount, i.e. forty-two days after closure of the Issue, the Company will pay interest for the delayed period, at the rates prescribed in sub-sections (2) and (2 A) of Section 73 of the Companies Act, 1956.

The Issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion shall be applied for only after the Issue Closing Date. In the event of undersubscription, the Promoters intends to apply for additional Equity Shares in the Issue such that at least 90% or more of the Issue is subscribed. As a result of such subscription and consequent allotment, the Promoters may acquire shares over and above their Rights Entitlement, which may result in an increase of their shareholding being above the current shareholding with the Rights Entitlement of Equity Shares under the Issue. Such subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of our Company and shall be exempted in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code. The Promoters shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoters of any unsubscribed portion, over and above their Rights Entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

IMPORTANT

- This Issue is pursuant to the resolutions passed by the Board of Directors at its meeting held on January 24, 2007 wherein issue of equity shares on rights basis was approved, and subsequent Board resolution dated June 22, 2007 approved the attaching of detachable warrants to the equity Shares being offered on rights basis.

- This Issue is applicable to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the Record Date i.e. September 18, 2007.

- Your attention is drawn to the section titled 'Risk Factors' appearing on Page x of this Letter of Offer.

- Please ensure that you have received the Composite Application Form ("CAF") with this Letter of Offer.

- Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

- All enquiries in connection with this Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.

- All information shall be made available to the Investors by the Lead Manager and the Issuer, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.

- The Lead Manager and the Company shall update this Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

ALLOTMENT LETTERS / REFUND ORDERS

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of six weeks from the Issue Closing Date. Such refund orders, in the form of MICR warrants/cheque/pay order, marked "Account payee" would be drawn in the name of a sole/first applicant and will be payable at par at all the centers where the applications were originally accepted, except for those who have opted to receive refunds through the ECS facility or RTGS or Direct Credit. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest at the rate of 15% p.a. as stipulated under Section 73 of the Act. Letter(s) of Allotment/Refund Order(s) above the value of will be dispatched by Registered Post to the sole/first applicant's address. However, Refund Orders for values not exceeding Rs.1,500/- shall be sent to the applicants under Certificate of Posting at the applicant's sole risk at his address. The Company would make adequate funds available to the Registrar to the Issue for this purpose. Adequate funds would be made available to the Registrar to the Issue for dispatch of the letters of allotment/ share certificates/ demat credit/ refund orders.

In case the Company issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the share certificates.

PURCHASE OF PROPERTY

The Company in the ordinary course of expansion may start marketing and sales at new centres for which it may lease or buy properties at such places. The present Issue is not being made with the specific objective to buy such properties. None of the Directors are interested in any property acquired by the Company during the last three years.

STOCK MARKET DATA FOR SHARES OF THE COMPANY

Our Equity Shares are listed on the BSE, NSE and MSE. As our shares are actively traded on the BSE and NSE, our stock market data have been given separately for each of these Stock Exchanges.

The high and low closing prices recorded on the BSE and NSE for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below –

BSE

Year	Date	Minimum price	Volume	Date	Maximum price	Volume
2004 –05	31/05/04	52.15	10155	15/03/05	89.5	238482
2005 - 06	01/04/05	83.35	44266	13/02/06	237.55	39689
2006-07	06/03/07	102.5	3613	05/04/06	231.85	8672
January 2007	17/01/07	130.3	5534	25/01/07	149.9	15877
February 2007	28/02/07	114.75	11802	05/02/07	145	6512
March 2007	06/03/07	102.5	3613	02/03/07	115.4	3306
April 2007	12/04/07	102.5	1050	27/04/07	124.15	29362
May 2007	08/05/07	117	2244	31/05/07	134.55	10014
June 2007	01/06/07	141.25	4750	29/06/07	175.95	57908
July 2007	4/7/07	155.20	77942	16/7/07	205.27	77942
August 2007	21/8/07	165.73	5992	3/8/07	184.20	5992

[*Source: BSE*]

NSE

Year	Date	Minimum price	Volume	Date	Maximum price	Volume
2004 –05	31/05/2004	52.00	30881	15/03/2005	89.55	296880
2005 – 06	01/04/2005	83.75	103104	13/02/2006	236.60	68099
2006-07	06/03/2007	103.25	5376	05/04/2006	232.60	16118
January 2007	17/01/2007	130.00	12145	25/01/2007	150.05	29984
February 2007	28/02/2007	114.60	6664	05/02/2007	144.95	10118
March 2007	06/03/2007	103.25	5376	13/03/2007	116.20	6638
April 2007	24/04/2007	102.65	9301	27/04/2007	124.10	49362
May 2007	15/05/2007	116.25	14537	31/05/2007	134.50	14413
June 2007	01/06/2007	141.25	17180	29/06/2007	176.20	92565
July 2007	3/7/07	155.04	155.04	16/7/07	201.95	87974
August 2007	21/8/07	164.38	164.38	9/8/07	183.76	18758

[*Source: NSE*]

MSE

There has been no trading of the Equity Shares of the Company listed on the MSE for the last three years

The high and low prices and volume of Equity shares traded on the respective dates during the last six months are as follows –

BSE last 6 months

Year	Date	Minimum price	Volume	Date	Maximum price	Volume
March 2007	06/03/07	102.5	3613	02/03/07	115.4	3306
April 2007	12/04/07	102.5	1050	27/04/07	124.15	29362
May 2007	08/05/07	117	2244	31/05/07	134.55	10014
June 2007	01/06/07	141.25	4750	29/06/07	175.95	57908

July 2007	4/7/07	155.20	77942	16/7/07	205.27	77942
August 2007	21/8/07	165.73	5992	3/8/07	184.20	5992

NSE last 6 months

Year	Date	Minimum price	Volume	Date	Maximum price	Volume
March 2007	06/03/2007	103.25	5376	13/03/2007	116.20	6638
April 2007	24/04/2007	102.65	9301	27/04/2007	124.10	49362
May 2007	15/05/2007	116.25	14537	31/05/2007	134.50	14413
June 2007	01/06/2007	141.25	17180	29/06/2007	176.20	92565
July 2007	3/7/07	155.04	155.04	16/7/07	201.95	87974
August 2007	21/8/07	164.38	164.38	9/8/07	183.76	18758

MSE last 6 months

There has been no trading of the Equity Shares of the Company listed on the MSE for the last three years

The closing market price was Rs. 149.90 on BSE, and Rs. 150.05 on NSE on January 25, 2007, the trading day immediately following the day on which Board meeting was held to approve the Issue.

SECTION IX: TERMS OF ISSUE AND OTHER RELEVANT ISSUE RELATED INFORMATION

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or share certificate and rules as may be applicable and introduced from time to time.

AUTHORITY FOR THE ISSUE

This Issue has been authorized by the Board at its meetings held on January 24, 2007, wherein the Board approved issue of Equity Shares on rights basis; and subsequent resolution passed by the Board in their meeting dated June 22, 2007, approving the attaching of detachable warrants to the equity Shares being offered on rights basis.

We have vide our letter dated July 19, 2007 intimated RBI regarding the issue of rights shares and detachable warrants.

BASIS OF ISSUE

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of the Equity Shares held in physical form at the close of business hours on September 18, 2007 (the "Record Date"), fixed in consultation with the Designated Stock Exchanges.

The Equity Shares are being offered for subscription in the ratio of three (3) Equity Shares for every eight (8) Equity Shares held on Record Date. In addition, for every one (1) Equity Share being allotted on rights basis, the Allottees will receive one (1) detachable warrant(s) therefore aggregating up to 14,229,229 warrants.

RIGHTS ENTITLEMENT

As your name appears as beneficial owner in respect of the Equity Shares held in the electronic form or appears in the Register of Members as an Equity Shareholder on the Record Date, you are entitled to the number of Equity Shares shown in Block I of Part A of the enclosed Composite Application Form ("CAF").

The eligible equity shareholders are entitled to three (3) Equity Shares for every eight (8) Equity Shares held on the Record Date. In addition, the eligible Equity Shareholders are entitled to receive one (1) detachable warrants for every one (1) Equity Share being allotted on rights basis.

MARKET LOT

The securities of the Company are tradable only in a dematerialised form. The market lot for the Equity Shares and detachable warrants in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio and a detachable warrant with a split performance. (the "Consolidated Certificate"). In respect of the Consolidated Certificate, the Company will, upon receipt of a request from the equity shareholder/warrant holder, split such Consolidated Certificate into smaller denomination within one week's time from the request of the equity shareholder/warrant holder. The Company shall not charge any fee for the splitting of the Consolidated Certificate.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES IN DEMATERIALIZED FORM ONLY.

NOMINATION FACILITY

In terms of section 109A of the Companies Act, 1956, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

A sole equity shareholder or first equity shareholder, along with other joint equity shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original equity shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the equity shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the registered office of the Company or such other person at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares/detachable warrants is in dematerialised form, there is no need to make a separate nomination for the Equity Shares/detachable warrants to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires change in the nomination, they are requested to inform their respective DP.

JOINT HOLDERS

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles of Association of the Company.

OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS

Applications received from NRIs and non-residents for allotment of Equity Shares with detachable warrants shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment/share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on rights basis by an Indian Company in terms of FEMA and regulation 6 of notification No. FEMA 20/200-RB dated May 03, 2000. In addition, we have vide our letter dated July 19, 2007 intimated RBI regarding the issue of rights shares with detachable warrants. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares with detachable warrants, payment of dividend etc. to the non-resident shareholders. The rights shares purchased by non-residents and the shares acquired on conversion of warrants shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares and warrants. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. The Company has filed a letter dated July 19, 2007 with the RBI seeking its approval to issue Shares with detachable warrants being offered under the Issue to OCBs. On

receipt of such approval to the Company at its registered office, the OCB shall receive the Letter of Offer and the CAF.

Applications received from the non-resident equity shareholders for the allotment of Equity Shares with detachable warrants shall, among other things, be subject to conditions as may be imposed, from time to time, by the RBI, in the matter of refund of application moneys, allotment of Equity Shares/ detachable warrants, issue of letters of allotment/ certificates/ payment of dividends etc.

In case of change of status of holders i.e. from resident to non-resident, a new demat account shall be opened for the purpose. DETAILS OF SEPARATE COLLECTING CENTRES FOR NON-RESIDENT APPLICATIONS SHALL BE PRINTED ON THE CAF.

The Letter of Offer and CAF shall only be dispatched to non-resident equity shareholders with registered addresses in India.

FOR RESIDENT INDIAN SHAREHOLDERS

Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Letter of Offer. Only applications for an amount of less than Rs.20,000 may be effected ion cash and all the payments more than Rs.20, 000 shall be effected by cheque / bank draft / drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheque / money orders / postal orders will not be accepted and CAFs accompanied by such cheque / money orders / postal orders are liable to be rejected.

NO OFFER IN THE UNITED STATES

The rights and the Equity Shares with the detachable warrants of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in this Letter of Offer are being offered in India but not in the United States of America. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America, or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer should not be forwarded to or transmitted in or into the United States of America at any time except in a transaction exempt from the registration requirements of the Securities Act. Neither the Company nor any person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company or any person acting on behalf of the Company has reason to believe is, a resident of the United States of America and to whom an offer, if made, would result in requiring registration of this Letter of Offer with the United States Securities and Exchange Commission. The Company is informed that there is no objection to a United States shareholder selling its rights in India. Rights may not be transferred or sold to any U.S. Person (as defined in Regulation S under the Securities Act).

The Letter of Offer and the CAF will not be sent outside India. It will be sent to Non-Resident shareholders at their addresses in India only.

PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Equity Shares with warrants now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in

the allotment advise or letter of allotment or share certificate and rules as may be applicable and introduced from time to time.

Issue price

The Equity Shares of the Rs 10/- each are being offered at an Issue Price of Rs. 140 per Equity Share for cash at a premium of Rs. 130 per Equity Share in the present rights issue.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the amount payable on application upto the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the issue on account of the cheques having been returned unpaid or withdrawal of the applications, the Company shall forthwith refund the entire subscription amount received within forty two days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount (i.e. forty two days after closure of the Issue), the Company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

The Issue will become under-subscribed, if the number of shares applied for falls short of the number of shares offered, after considering the number of shares applied for as per the entitlement plus additional shares. The under-subscribed portion can be applied for only after the closure of the Issue. The Promoters can subscribe to such under-subscribed portion as per relevant provisions of law.

Some members of the promoter group intend to subscribe to additional shares beyond their entitlement if the Issue is under-subscribed. The acquisition of additional securities in such an event shall be exempt from making an open offer in terms of proviso to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Further this acquisition will not result in change of control of the management of the Company.

Terms of Payment

Full amount of Rs. 140 is payable on application. The payment towards the Equity Shares offered will be as under –

(i) Rs. 10 per share towards Share Capital
(ii) Rs. 130 per share towards Share Premium Account

Payment should be made in cash (not more than Rs.20,000) or by cheque/bank demand draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the CAF is accepted. Outstation cheques /money orders/postal orders will not be accepted and CAFs accompanied by such cheque/money orders/postal orders are liable to be rejected.

Where an applicant has applied for additional shares and is allotted lesser number of shares than applied for, the excess application money shall be refunded. The monies would be refunded within 42 days from the closure of the Issue, and if there is a delay beyond 8 days from the stipulated period, the Company will pay interest on the monies in terms of sub-sections (2) and (2A) of section 73of the Companies Act, 1956.

Mode of payment

(i) For resident applicants - Payment(s) must be made by cheque/demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected. Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, ONLY to the Registrar to the Issue enclosing a Cheque/ Demand draft

drawn on a clearing Bank and payable at Hyderabad ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be payable to **"Cholamandalam DBS Finance Limited – RIGHTS ISSUE".** All cheque/ drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

(ii) For Non-resident applicants/ FIIs - Payments by Non-Resident shareholders will be accepted by Indian Rupee Drafts purchased abroad or cheques/drafts drawn on Non-Resident External Account (NRE Account) or Foreign Currency Non- Resident Account (FCNR Account) maintained anywhere in India but payable at Hyderabad or by Telegraphic Transfer in favour of the collecting Bankers by the concerned shareholders. However, in case shares are held on a non-repatriable basis, payment may also be made by cheques / draft drawn on Non-Resident Ordinary Account (NRO A/c.) maintained anywhere in India but payable at Hyderabad. Such cheques/drafts should be drawn in favour of "**Cholamandalam DBS Finance Limited- RIGHTS ISSUE – NRI/FII**" payable at Hyderabad, India and shall be crossed A/c. Payee Only, Banker's Certificate regarding source of payment must be submitted with the CAFs wherever necessary. The CAF along with cheques/drafts should be deposited with any of the branches of the Bankers to the Issue nominated for this purpose. The certificate of inward remittance, if any, must be sent only to the Registrar to the Issue, KARVY Computershare Private Limited, quoting the details of folio no. and the name and address of the branch of the Bankers to the Issue where CAF has been deposited before the closure of the issue.

KINDLY NOTE THAT APPLICATIONS WILL NOT BE ACCEPTED BY THE LEAD MANAGER TO THE ISSUE OR BY THE COMPANY

Mode of payment of dividend

We shall pay dividend , if declared, to our shareholders as per the provisions of the Companies Act, 1956.

Utilisation of Issue proceeds

The Board of Directors declares that:

(i) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act.
(ii) Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.
(iii) Details of all such unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue, except to the extent utilized by the Company from the promoters' entitlement in the Issue brought in the form of advance share application money for subscription, if any,, till the Issue Opening Date as mentioned above shall be kept in a separate bank account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

Undertakings by the Company

The Company undertakes that –

(i) The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
(ii) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
(iii) The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.

(iv) The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
(v) No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non listing, under-subscription etc.
(vi) The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
(vii) All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

Notices

All notices to the equity shareholder(s) and warrant holders required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation, a regional language daily where the Registered Office of the Company is situated and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) and warrants from time to time.

Principal terms and conditions of the issue of Equity Shares on Rights Basis

Face Value

Each Equity Share issued on rights basis shall have a face value of Rs. 10/-.

Entitlement

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of three (3) Equity Share(s) for every eight (8) Equity Share(s) held on the Record Date. An eligible shareholder can either renounce his entitlement (in whole or in part) or apply for additional Equity Shares over and above his entitlement. Shareholder who has either renounced a part or whole of his entitlement cannot apply for additional shares

If there is an over subscription on account of application for additional shares, then the additional shares will be allotted to those applicants proportionately.

Options available to the equity shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can –
(i) Apply for his entitlement in part
(ii) Apply for his entitlement in part and renounce the other part
(iii) Renounce his entire entitlement
(iv) Apply for his entitlement in full
(v) Apply for his entitlement in full and apply for additional Equity Shares

Renouncees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

Rights of Equity Shareholders

Subject to the applicable laws, the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer, the shareholders are entitled to the following rights –
(i) To receive dividend, if declared;
(ii) To attend general meetings and exercise voting power, unless prohibited by law;
(iii) To vote on poll, either in person or proxy;

(iv) To receive offer for right shares and be allotted bonus shares if announced;
(v) To receive surplus on liquidation;
(vi) Free transferability of share; and
(vii) Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 1956.

For more details regarding the rights available under the Articles of Association please refer to section titled "Main Provisions of Our Articles of Association" beginning on page 279 of this Letter of Offer.

Ranking of the Equity Shares

The Equity Shares issued and allotted on a rights basis as a part of this Issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects including dividends with the existing Equity Shares of the Company.

Additional Shares

The Equity Shareholders are eligible to apply for additional equity shares provided the applicant has applied for all the equity shares offered to him without renouncing them in full or in part.

Where the number of additional equity shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renouncees can apply for additional shares.

Fractional Entitlement

For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the equity shareholders is less than eight (8) or is not in multiples of eight (8), then the fractional entitlement of such Equity Shareholders shall be rounded up to the nearest integer. The Equity Shares needed for such rounding off shall be adjusted from the Promoter and Promoter Group's entitlement at the time of allotment.

Principal terms and conditions of the issue of detachable warrants being issued

Face Value

Each detachable warrant is convertible into one (1) Equity Share of face value of Rs.10/- each.

Entitlement

In addition to entitlement to apply for three (3) Equity Share(s) for every eight (8) Equity Share(s) held on the Record Date, an eligible equity shareholder is entitled to receive one (1) detachable warrants for every one (1) Equity Shares being allotted on rights basis. The warrants so issued can be freely and separately traded. The warrant holder will be entitled to exercise his right to apply for one (1) Equity Share of Rs. 10/- each for every warrant held at Warrant Exercise Price for each warrant held, on the fixed date declared by the Company (Notice date, the outermost date for conversion) during the Warrant Exercise Period. Warrant holders can exercise their right to apply for the Equity Share at the Warrant Exercise Price. Warrant holder can not renounce his entitlement to apply for the Equity Share or apply for additional Shares over and above his entitlement. The Promoters will not apply for additional shares.

This share entitlement on each warrant shall be proportionately adjusted for any further bonus issue made by the Company prior to the Warrant Exercise Period so as to ensure that the benefit to the warrant holder is not prejudiced and remains the same as if the bonus would not have been declared. For example, should the Company declare a bonus issue prior to the Warrant Exercise Period in the ratio of 1:1, then the number of equity shares to be issued pursuant to exercise of warrant shall double.

In the event of any sub-division or consolidation of the face value, the share entitlement on each warrant shall be proportionately increased / decreased such that the aggregate nominal value of the entitlement remains the same as the nominal value of the Equity Shares immediately prior to such subdivision or consolidation e.g. in

case the Company decides to reduce the face value of Equity Shares to Rs.5 each, then upon exercise of each warrant by making payment under the Warrant Exercise Price, the warrant holder would get two Equity Shares of Rs.5 each instead of one Equity Share of Rs.10 each.

However, in case the Company announces a rights issue during the tenure of the warrants, neither would any adjustment be made to the share entitlement on each warrant nor would there be any reservations for warrant holders.

Options available to warrant holder

A warrant holder has the following rights –

(i) Apply for his entitlement in part. However, the other part shall not be renounciable,
(ii) Apply for his entitlement in full,
(iii) Apply for his entitlement in full and also apply for additional shares.

For the purpose clause (v) of the options available to the warrant holder, the Promoters and Promoter have undertaken not to apply for the additional shares pursuant to the conversion of the warrants.

Rights available to warrant holders

The warrants shall be transferable and transmittable in the same manner and to the same extent and be subject to the same restrictions and limitations and other related matters as in the case of Equity Shares of the Company. By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the warrants shall not be transferable (by sale or gift) in favour of OCB(s). The warrants shall not confer upon the holders thereof any right to receive any notice of the meeting of the Shareholders of the Company or annual report of the Company and or to attend/vote at any of the general meetings of the Shareholders of the Company held, if any. Save and except the right of subscription to the Company's Equity Shares as per the terms of the issue of warrants, the holders of the warrants in their capacity as warrant holders shall have no other rights or privileges.

The equity shares arising from the conversion of warrants shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with existing Equity Shares of the Company including dividends. Except that the shares arising from conversion of warrants shall be eligible for dividends only after payment of Exercise Conversion Price and allotment of the Equity Shares.

Additional shares pursuant to exercise of warrants

A warrant holder can apply for additional shares provided that the applicant has applied for all the shares offered to him.

The application for additional shares shall be considered for allotment at the sole discretion of the Board and in consultation if necessary with the Designated Stock Exchange. This allotment of additional shares will be made on proportionate basis with reference to number of warrants already held by the applicant at the time of application for issue of additional shares.

Warrant Exercise Period

Warrant Exercise Period shall be the period commencing after 6 months from the date of allotment up to 18 months from the date of allotment. The warrant will get converted on or before a fixed date (i.e. "Notice Date, the outermost date for conversion") and would be made uniformly in respect of all the warrants outstanding. The Company will fix the Record Date as any time during the Warrant Exercise Period for the purpose of warrant conversion. The conversion of warrants into Equity Shares of the Company will be as per the Warrant Exercise Price as mentioned under the para "Warrant Exercise Price" provided below.

WARRANTS SHALL LAPSE ON THE NOTICE DATE OR THE END OF WARRANT EXERCISE PERIOD, WHICH EVER IS EARLIER.

Warrant Exercise Price

Warrant Exercise Price shall be lower of (a) 20% discount to the average six weekly closing prices before the date of the public notice on Designated Stock Exchange; or (b) 20% discount to average two weekly closing prices before the date of the public notice on the Designated Stock Exchange; or (c) Rs. 275 per Equity Share, being the Cap Price.

The Warrant Exercise Period and the Warrant Exercise Price will be notified by giving public notice in the newspaper.

The investors may also note that the cap price of Rs. 275 per share for the purpose of conversion into Equity Shares for every detachable warrant should not be taken to be indicative of the market price of the Equity Shares, whether presently or after the Equity Shares issued upon the exercise of warrants are listed. No assurance can be given regarding the active / sustained trading in the Equity Shares or the price at which the Equity Shares offered under the present Issue will trade either after the listing or at the time of exercise of warrants.

If there is an increase in the shareholding of the Promoters / Promoter Group beyond the limit prescribed in the Listing Agreement pursuant to the warrant conversion, the Company undertakes to ensure compliance in such manner as may be directed by the Stock Exchanges. Such increase in their shareholding, if any, will be pursuant to the exercise of their entitlement and shall be covered under 3(1)(b)(i) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Further such increase in their shareholding, if any, will not result in change of control of the management of the Company. In the event of the minimum public shareholding falling below the prescribed minimum, the Company will take the necessary steps in ensuring that the minimum public shareholding is restored in compliance with SEBI regulations. As such, other than meeting the requirements indicated in the section on "Objects of the Issue" on page 24 of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters, in this Issue, the Promoters' shareholding in the Company exceeds their current shareholding.

Allotment of warrants

Subject to the provisions contained in this Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot one detachable warrant for every one (1) Equity shares allotted under the rights issue.

If there is any shortfall or surplus in the warrants, required on account of rounding off as mentioned above, then the said shortfall or surplus would be adjusted against warrant entitlement of Promoter / Promoter Group.

How to apply

Procedure for application for Equity Shares and the detachable warrants

The enclosed CAF for equity shares should be completed in all respects in its entirety before submission to the Bankers to the Issue or their designated branches as they appear in the CAF. The forms of the CAF should not be detached under any circumstances otherwise the application is liable to be rejected. The CAF consists of four parts –

(i) Part A: Form for accepting the Equity Shares and the detachable warrants and for applying for additional Equity Shares and / or warrants
(ii) Part B: Form for renunciation of Equity Shares
(iii) Part C: Form for application for renounces of Equity Shares
(iv) Part D: Form for request for split application forms

Application for conversion into Equity Shares, will be sent separately to the warrant holders as on the Record Date.

Option Available		Action Required
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A *(All joint holders must sign)*
2.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares *(All joint holders must sign)*
3.	Renounce your entitlement in full to one person *(Joint renouncees are considered as one)*	Fill in and sign Part B *(all joint holders must sign)* indicating the number of Equity Shares renounced and hand it over to the renouncee. The renouncees must fill in and sign Part C *(All joint renouncees must sign)*
4.	Accept a part of your entitlement and renounce the balance to one or more renouncee(s) OR Renounce your entitlement to all the Equity Shares offered to you to more than one renouncee	Fill in and sign Part D *(all joint holders must sign)* requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. **On receipt of the Split Form take action as indicated below.** For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the renouncees. Each of the renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Please note that:

- Part A of the CAF must be used only by the existing Equity Shareholders of the Company to whom the shares are offered and must not be used by any person(s) in whose favour this entitlement has been made. If used, this will render the application invalid.
- While applying for or renouncing equity shares joint holders must sign in the same order and as per the specimen signatures registered with the Company.
- Request for split form should be made for a minimum of 100 Equity Shares or in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- Request by the applicant for the Split Application Form should reach the Company on or before October 12, 2007.
- Only the person to whom this Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

(i) Availability of duplicate CAF -In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on request of the applicant who should furnish the registered folio number, DP and Client ID no. and his/ her full name and address to the Registrar to the Issue. Please note that those who are making the application on duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications.

(ii) Applications by resident equity shareholders - Applications should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in this Letter of Offer.

(iii) Applications by non-resident equity shareholders - Applications received from the non-resident equity shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment / certificates / payment of dividends etc.

Non-resident equity shareholders will be required to represent, *inter alia*, that they are not excluded U.S. Persons as such term is defined in Regulation S under the U.S. Securities Act of 1933, as amended.

(iv) For applicants residing at places other than designated bank collecting branches.- Applicants residing at places other than the cities where the bank collection centers have been opened should send their completed CAF by registered post/speed post to the Registrar to the Issue, along with demand drafts, net of demand draft and postal charges, payable at Hyderabad in favour of **"Cholamandalam DBS Finance Limited - Rights Issue"** crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e. October 12, 2007

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below. All application forms duly completed together with cash/ Cheque /demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applications are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.

(v) Application on plain paper - An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a Cheque/ Demand Draft payable at Hyderabad which should be drawn in favour of **"Cholamandalam DBS Finance Limited - Rights Issue"** and send the same by registered post directly to the **Registrar to the Issue- KARVY Computershare Pvt. Ltd**., Plot No. 17 – 24, Vittal Rao Nagar Madhapur, Hyderabad – 500 081.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars –

(a) Name of Issuer, being Cholamandalam DBS Finance Limited.
(b) Name and address of the Equity Shareholder including joint holders
(c) Registered Folio Number/ DP and Client ID no.
(d) Number of shares held as on Record Date i.e. (September 18, 2007)
(e) Certificate numbers and distinctive numbers, if held in physical form
(f) Number of rights Equity Shares entitled
(g) Number of rights Equity Shares applied for out of entitlement

(h) Number of additional Equity Shares applied for, if any
(i) Total number of Equity Shares applied for
(j) Total amount paid at the rate of Rs. 140 per Equity Share
(k) Particulars of cheque/draft
(l) Savings/Current Account Number and name and address of the Bank where the Equity Shareholder will be depositing the refund order
(m) In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch should be given.
(n) Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
(o) Payment in such cases, should be through a Cheque/ demand draft, net of demand draft and postal charges, payable at Hydrabad be drawn in favour of **"Cholamandalam DBS Finance Limited - Rights Issue"** crossed "A/c Payee only". Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications. The Company shall refund such application amount to the applicant without any interest thereon.

Please note that:

(a) In case of applications for a total value of Rs, 50,000 or more, each of the applicants, should mention his/her PAN/GIR NO and Income Tax circle/ Ward/ District. Also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application.. Applicants who do not have PAN are required to provide a declaration in Form 60/ Form 61 prescribed under the I.T. Act along with the application. Applications without this photocopy/ PAN Communication/declaration will be considered incomplete and are liable to be rejected.

(vi) Acceptance of the Issue - You may accept the Issue and apply for the Equity Shares with detachable warrants offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank in Hyderabad / demand draft, net of bank and postal charges, payable at Hyderabad to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Procedure for exercise of warrants being issued with Equity Shares under the Issue

Activity	Date
Relevant date for determination of the warrant conversion price	X-1
Company to give public notice for, application of Record Date, Notice Date and Warrant Conversion Price	X
Company to apply for Record Date with the Stock Exchanges	X
Record Date	X+15
Stock Exchanges will suspend the trading of warrants (subject to Stock Exchanges approval)	X + 10
Company / Registrar to dispatch exercise application form to the warrant holders	X+17
Company to give notice for the dispatch confirmation	X+17
Warrant Conversion Period for Public (29 Days) during which warrant holders will exercise their entitlement towards warrant conversion	X+17 to X+45
Consolidated allotment of Equity Shares from the converted warrants	X+46
Company to apply for listing of New Equity Shares from the converted	X+47

warrants to the Stock Exchanges	
Unsubscribed portion of warrants will lapse on	X+45
Notice Date (outermost date for conversion)	X+45
Listing of Equity Shares from the converted warrants	X+50 (approx.)

Application for conversion into Equity Shares, should be made on the prescribed warrants exercise application form.

The Company will apply for the Record Date with the Stock Exchanges and fix the Record Date. The Company will determine the Warrant Conversion Price on relevant date, which is the date prior to date of the public notice. Warrant exercise application form would be sent to all the warrant holders separately as per the details appearing in Register of warrant holders on the Record Date. On receipt of the aforesaid intimation, the sole warrant holder / all the joint holders should follow the procedure as described in this chapter with respect to physical/ demat form and send the relevant documents by registered post / speed post with acknowledgment due or by hand delivery to Registrar to the Company; Karvy. The Company will give the public notice for the warrant conversion price and the confirmation for the dispatch in the newspaper.

(i) In case of warrant held in physical mode - The warrant holder should send his application for issue of Equity Shares to the Registrar to the Company, Karvy, by filling up the requisite particulars on the warrant exercise application form and by discharging on the reverse of the warrants certificate. For resident shareholders / applicants and non-resident equity shareholders / applicants applying on a non-repatriation basis, the application should be accompanied by a cheque/demand draft favoring "**Cholamandalam-DBS Finance Limited-Warrants Issue**" payable at **Hyderabad** for the requisite amount. For non-resident equity shareholders / applicants applying on a repatriation basis, the application should be accompanied by a cheque / demand draft favoring "**Cholamandalam-DBS Finance Limited-Warrant Issue-NR**" payable at **Hyderabad** for the requisite amount. For making the payment, non-resident equity shareholders / applicants are required to follow the similar procedures as specified in 'Submission of Application & Mode of Payment for Rights Issue of Equity Shares' in this Letter of Offer.

(ii) In case of warrant held in DEMAT mode - The Registrar of the Company, Karvy, will before the Warrant Exercise Period open a special depository account with NSDL "Cholamandalam-DBS-Warrant Conversion Escrow Account" with a DP (the "Special Depository Account"). The Company will open the Special Depository Account through the Registrar with NSDL at least 2 days prior to the commencement of the Warrant Exercise Period and the details of the account will be included by the Company in the newspaper notice.

Shareholders of Cholamandalam-DBS having the depository account with CDSL must use inter depository delivery instruction slip for the purpose of crediting their warrants in favour of the Special Depository Account with the NSDL. Beneficial owners (holders of warrants in dematerialized form) who wish to tender their warrants for conversion, will be required to send their application for issue of equity shares on the prescribed application form sent separately, accompanied by a cheque / demand draft favouring "Cholamandalam-DBS Finance Limited" payable at Hyderabad along with a photocopy of the delivery instruction in "off market" mode or counterfoil of the delivery instruction in "off market" mode, duly acknowledged by the depository participant ("DP") in favour of the special depository account, to the Registrar of the Company, Karvy, **before the close of Warrant Exercise Period.**

For resident shareholders / applicants and non-resident equity shareholders / applicants applying on a non-repatriation basis, the application should be accompanied by a cheque / demand draft favoring "**Cholamandalam-DBS Finance Limited-Warrants Issue**" payable at Hyderabad for the requisite amount. For non-resident equity shareholders / applicants applying on a repatriation basis, the application should be accompanied by a cheque / demand draft favoring "**Cholamandalam-DBS Finance Limited-Warrants Issue-NR**" payable at Hyderabad for the requisite amount. For making the payment, non-resident equity shareholders / applicants are required to follow the similar procedures as specified in 'Submission of Application & Mode of Payment for Rights Issue of Equity Shares' in this Letter of Offer.

In case the warrants along with the cheques / drafts towards full payment of the Warrant Exercise Price do not reach the Registrar by the end of Warrant Exercise Period , then the same shall lapse. Warrants with payments for lesser amounts shall be rejected & returned.

Shares allotted on exercise of valid warrants will be dispatched /credited to the applicant's electronic account within 10 days from the last day of the calendar month in which the application is received. On allotment, Company shall apply for listing of these equity shares.

MODIFICATION TO THE TERMS OF THE WARRANTS ANY MODIFICATION TO THE TERMS OF ISSUE AND EXERCISE OF THE WARRANTS WOULD BE CARRIED OUT ONLY WITH THE PRIOR APPROVAL OF THE WARRANT HOLDERS. THIS WOULD BE DONE BY CONVENING THEIR SPECIAL CLASS MEETING IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT, 1956 AND TAKING THEIR APPROVAL BY A SIMPLE MAJORITY TO THE TERMS OF MODIFICATION SOUGHT, FROM THE WARRANT HOLDERS PRESENT AND VOTING.

Caution:

- Each warrant application form shall be accompanied by a single instrument of payment. Clubbing of folios/securities for the purpose of making a consolidated payment is not permitted
- Cheques/DD should be payable at Hyderabad for the full amount and upcountry instructions/payments for less amount will be rejected
- Investors are advised not to close or transfer their DEMAT account between the period of application for exercise of warrant(s) till the time of allotment/receipt of credit in their account so as to avoid rejection of credit from the Depositories and resultant delay in receiving the intimation of allotment
- **Warrants may not be exercised from within United States by/or on behalf of US citizens. Each person exercising the warrant must provide a written certification that he/she is not a US person or that the warrant is not being exercised on behalf of US citizen. No exercise will be accepted from any person whose address is within United States.**
- If the Warrants are not exercised within the Warrant exercise period as described above then any unexercised Warrant shall automatically be treated as cancelled.

Renunciations

This Issue includes a right exercisable by the eligible shareholder to renounce the Equity Shares offered to them either in full or in part in favour of any other person or persons. The attention of the shareholder is drawn to the fact that the Company shall not allot and / or register and Equity Shares and detachable warrnts in favour of more than three persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold equity shares.

Any renunciation from resident indian shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian shareholder(s) to resident Indian(s) or from Non-Resident Indian shareholder(s) to other Non-Resident Indian(s) is subject to the renouncer(s) / renounce(s) obtaining the approval of the FIPB and/or necessary permission of the RBI under the FEMA and such permissions should be attached to the CAF.

Applications not accompanied by the aforesaid approvals are liable to be rejected.

Procedure for renunciation

(i) To renounce the whole offer in favour of one Renouncee – Shareholders who wish to renounce the offer indicated in Part A, in whole, should complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

(ii) To renounce in part / or renounce the whole to more than one person(s) – In case if any shareholder wishes to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more renouncees, the CAF must be first split into requisite number of forms.

Shareholders should indicate his/her requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

PLEASE NOTE THAT IN CASE THE SIGNATURE OF THE EQUITY SHAREHOLDER(S), WHO HAS RENOUNCED THE EQUITY SHARES, DOES NOT AGREE WITH THE SPECIMEN REGISTERED WITH THE COMPANY, THE APPLICATION IS LIABLE TO BE REJECTED.

(iii) Renouncee(s) – The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and / or introduction of additional holders

If you wish to apply for Equity Shares with detachable warrants jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renouncee(s) without assigning any reason thereof.

Disposal of Odd Lots

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the equity shareholders is less than eight (8) or is not in multiples of eight (8), then the fractional entitlement of such Equity Shareholders shall be rounded up to the nearest integer. The Equity Shares needed for such rounding off shall be adjusted from the Promoter Group's entitlement at the time of allotment.

Restriction on transfer and transmission of Shares.

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form) and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Basis of the Offer and allotment

The Equity Shares with detachable warrants are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares with detachable warrants on a rights basis. The Equity Shares with detachable warrants are being offered for subscription in the ratio of three (3) Equity Share for every eight (8) Equity Shares held by the Equity Shareholders on the Record Date, also, for every one (1) Equity Share being allotted on rights basis, the shareholder would receive one (1) detachable warrants.

Subject to the provisions contained in this Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority –

(i) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.

(ii) For Equity Shares with detachable warrants being offered on rights' basis under this Issue, if the equity shareholding of any of the Equity Shareholders is less than eight (8) or is not in multiples of eight (8), then the fractional entitlement of such holders shall be rounded up to the nearest integer. The Equity Shares needed for such rounding off shall be adjusted from the the Promoter Group's entitlement at the time of allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

(iii) Allotment to the Equity Shareholders who having applied for all the Equity Shares with detachable warrants offered to them as part of the Issue and have also applied for additional Equity Shares and / or detachable warrants. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such Equity Shares with detachable warrants will be at the sole discretion of the Board/ duly authorised committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.

(iv) Allotment to the renouncees who having applied for all the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (i) (ii) and (iii) above. The allotment of such additional Equity Shares will be made on proportionate basis at the sole discretion of the Board/ duly authorised committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.

After taking into account allotment to be made under (i) and (ii) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (iii) and (iv) above. In the event of under-subscription, Promoters intends to apply for additional Equity Shares. Such acquisition of additional Equity Shares, if allotted to Promoters shall be in terms of proviso to regulation 3(1)(b)(ii) of the Takeover Code and will be exempt from the applicability of regulation 11 of Takeover Code. Further this acquisition will not result in change of control of management of the Company.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time. The Company expects to complete the allotment of Equity Shares within a period of 42 days from the date of closure of the Issue in accordance with the listing agreement with the Stock Exchanges.

Standby Underwriting

The Company has not entered into any underwriting arrangement.

Option to Subscribe

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Karvy Computershare Private Limited on November 26, 1997 and with Central Depository Services (India) Limited (CDSL) and Karvy Computershare Private Limited on Januray 28, 2000, which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

Issue of duplicate equity share certificate

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

Printing of bank particulars on refund orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders / refund warrants, which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Note on cash payment (Section 269 SS)

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

Last date for submission of CAF

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is October 29,2007 If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the equity shares hereby offered as provided under "Basis of Allotment".

Incomplete application

CAFs, which are not complete or are not accompanied with the application money amount payable, are liable to be rejected.

Forfeiture

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue & hence no requirement of any forfeiture.

Application under power of attorney

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporates or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

Bank details of the applicant

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.

Application number on the cheque/demand draft

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

General

All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications, which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.

(i) Please read the instructions in the enclosed CAF carefully.
(ii) All communications in connection with your application for the equity shares including any change in your registered address should be addressed to the registrar to the issue.
(iii) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
(iv) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
(v) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
(vi) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.
(vii) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A, B, C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
(viii) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
(ix) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
(x) The last date for receipt of CAF alongwith the amount payable is October 29, 2007. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 60 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered. For further instructions please read CAF carefully.

Grounds for technical rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following –

(i) Amount paid does not tally with the amount payable for;
(ii) Bank account details (for refund) are not given / or incomplete / or incorrect;
(iii) Age of First Applicant not given;
(iv) PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
(v) In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

(vi) If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;
(vii) If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
(viii) Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
(ix) Applications not duly signed by the sole/joint Applicants;
(x) Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
(xi) Applications accompanied by Stockinvest;
(xii) In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;
(xiii) Applications by US persons; or
(xiv) Applications by non-eligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

Dematerialisation

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of **Cholamandalam DBS Finance Limited** are traded in the demat segment The Company has entered into a tripartite agreement dated November 26, 1997 with the National Securities Depository Ltd. (NSDL) and KARVY Computershare Private Limited for dematerialization of the equity shares of the Company. The Company has also entered into a tripartite agreement dated January 28, 2000 with the Central Depository Services Limited (CDSL) and KARVY Computershare Private Limited for dematerialization of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is 121A01016. An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have atleast one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of equity shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.

Names in the CAF should be identical to those appearing in the account details in the Depository. Incase of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository. No separate applications for demat and physical shares are to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar of the Issue

The applicant is responsible for the correctness of the applicants demographic details given in the share application form vis-à-vis those with his/her DP. Equity shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

Disposal of application and application money

No receipt will be issued for application money received. However, the Bankers to the Issue receiving the CAF(s) will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within six weeks of the date of closure of the issue. The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without

assigning any reason. In case an application is rejected in full, the whole of the application money received will be refunded and where an application is accepted in part the excess money will be refunded after adjusting the money payable for the shares allotted. All refunds will be made within six weeks of the date of closing of the Subscription List.

Unsubscribed equity shares

The unsubscribed portion, if any of the equity shares offered to the shareholders, after considering the application for Rights/Renunciation and additional equity shares, as above, shall be disposed by the Board of the Company or Committee of Directors authorised in this behalf by the Board of the Company at their full discretion and absolute authority, in such manner as they think most beneficial to the Company and the decision of the Board of the Company or Committee of Directors in this regard shall be final and binding.
Issue of Letter of Allotment In case the Company issues Letter(s) of Allotment, the relative Share Certificate(s) will be kept ready within 3 months from the date of allotment thereof or such extended time as may be approved by the Company Law Board or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for Share Certificate(s).

Allotment and refund orders

All the pay orders / refund orders and Letter(s) of Allotment / Share Certificates will be dispatched within six weeks of the date of closure of issue to the first named / sole applicant at his / her own risk. The Refund Orders will be payable at par in India at all the centres where the applications were originally accepted. The instruments will be marked "Account Payee Only" and in the name of the sole/ first applicant. Bank charges, if any, for encashing such refund orders / pay orders will be payable by the applicants. The Company undertakes that the requisite funds will be made available to the Registrar for complying with the requirement of dispatch of refund orders / allotment letters. The Company shall ensure dispatch of refund orders of value over Rs.1,500/- by Registered Post only and adequate funds will be made available to the Registrar.

The Company undertakes to dispatch share certificates/refund orders, complete demat credits and submit the allotment and listing documents to the Stock Exchange within 2 working days of the finalisation of the basis of allotment. Further, the Company undertakes to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment.

Mode of making refunds

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository the Applicant's bank account details including nine digits MICR code.
Hence, Applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the Lead Manager nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference –

(i) Direct Credit - For investors having their Bank Account with the Banker to the Issue, the refund amount would be credited directly to their Bank Account with the Banker to the Issue.
(ii) RTGS - Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the CAF.
(iii) ECS - Payment of refund would be done through ECS for applicants residing at one of the 15 centres, namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, where clearing houses for ECS are managed by RBI. This would be subject to availability of complete Bank Account Details including MICR code from the depository.

For all the other applicants except for whom payment of refund is possible through I, II and III, the refund orders would be dispatched "Under Certificate of Posting" for refund orders less than Rs. 1500/- and through Speed Post/ Registered Post for refund orders exceeding Rs. 1500/-.

Interest in case of delay on allotment/dispatch

The Company will issue and dispatch Letter(s) of Allotment/Share Certificate(s) and/or Letter(s) of Regret along with the Refund Orders, if any, credit the allotted securities to the beneficiary account within a period of 6 weeks from the date of closure of the subscription list. Such refund orders, in the form of MICR warrants/cheque/pay order, marked "Account payee" would be drawn in the name of a sole/first applicant and will be payable at par at all the centers where the applications were originally accepted, risk, except for those who have opted to receive refunds through the ECS facility or RTGS or Direct Credit. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall, as stipulated under sub-section 2 and 2A of Section 73 of the Companies Act, 1956, pay that money with interest at the rate of 15% p.a. Letter(s) of Allotment/Refund Order(s) above the value of will be dispatched by Registered Post to the sole/first applicant's address. However, Refund Orders for values not exceeding Rs.1,500/- shall be sent to the applicants under Certificate of Posting at the applicant's sole risk at his address. The Company would make adequate funds available to the Registrar to the Issue for this purpose.

Important

Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

All inquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID no., the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed "**Cholamandalam DBS Finance Limited-Rights Issue**" on the envelope) to the Registrar to the Issue at the following address:

KARVY Comutershare Private Limited
Plot No. 17 – 24, Vittal Rao Nagar
Madhapur, Hyderabad – 500 081
Tel: (+91 40) 23420815 -820
Fax: (+91 40) 23420814
Email: cholarights@karvy.com
Website: www.karvy.com
Contact Person: Mr. Murali Krishna.

1. It is to be specifically noted that this Issue of Equity Shares is subject to Risk Factors appearing on page x of this Letter of Offer.
2. The Rights Issue will not be kept open for more than 32 days unless extended, in which case it will be kept open for a maximum 60 days.

SECTION X: IMPORTANT PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are set forth herein below.

RELATING TO THE SHARES AND SHARHOLDERS OF THE COMPANY

Share Capital

Share Capital

Article 5 (a) provides that authorised share capital of the Company is Rs. 160,00,00,000/- (Rupees one hundred and sixty crores only) divided into 10,00,00,000 (ten crores) equity shares of Rs. 10/- (Rupees ten only) each and 60,00,000 (sixty lakhs) redeemable preference shares of Rs. 100/- (Rupees one hundred only) each. The Company shall have powers to increase, consolidate, sub-divide, reduce, re-classify or otherwise alter its share capital subject to the provisions of the Act.

Restrictions on purchase of own shares by the Company

Article 4 which deals with prohibition on investment of funds in Company's own shares stipulates –

Except as provided by Section 77, no part of funds of the Company shall be employed in the purchase of shares of the Company and the Company shall not give directly or indirectly and whether by means of loan, guarantee the provision of security or otherwise any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company.

In addition, Article 12 provides –

(1) The Company shall not have the power to buy its own shares unless the consequent reduction of capital is effected and sanctioned in pursuance of Article 13 or in pursuance of Sections 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.

(2) Except to the extent permitted by Section 77 or other applicable provisions (if any) of the Act the Company shall not give directly or indirectly and whether by means of loan, guarantee, the provision of security or otherwise any financial assistance for the purpose of, or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company.

Shares to be under the control of the Directors

Article 5(b) provides as follows –

Subject to the provisions of the Act and these Articles, the shares in the capital of the Company for the time being (including any shares forming part of any increased capital of the Company) shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at discount and at such times as they may from time to time think fit and proper, and with full power to give to any person the option to call for or be allotted shares of any class of the Company either at par or at a premium or subject as aforesaid at a discount such option being exercisable at such times and for such consideration as the Directors think fit.

Increase in share capital

Article 8 provides –

Subject to the provisions of these Articles, the Company may from time to time in General Meeting alter the conditions of its Memorandum by increase of its share capital by the creation of new shares of such amount as it thinks expedient. Subject to the provisions of the Act and these Articles, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as directed by the General Meeting creating the same and if no direction be given as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company provided always that any preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed.

Rights of ordinary shareholders to further issue of capital

Article 9 provides –

Subject to the provisions of these Articles, where it is proposed to increase the subscribed capital of the Company by allotment of further shares then such further shares shall be offered to the persons who, at the date of the offer, are holders of the ordinary shares of the Company, in proportion, as nearly as

circumstances admit to the capital paid-up on those shares at that date, and such offer shall be made in accordance with the provisions of Section 81 of the Act. Provided that notwithstanding anything hereinbefore contained, the further shares aforesaid may be offered to any person, whether or not those persons include the persons, who, at the date of the offer, are holders of the ordinary shares of the Company in any manner whatsoever provided that:

(a) if a Special Resolution to that effect is passed, by the Company in General Meeting; or
(b) where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be), in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in that behalf, that the proposal is most beneficial to the Company.

Redeemable preference shares

Article 10 provides –

Subject to the provisions of these Articles, on the issue of redeemable preference shares under the provisions of Article 8 the following provisions shall take effect:

(a) no such shares shall be redeemed except out of the profits of the Company, which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption.
(b) no such shares shall be redeemed unless they are fully paid.
(c) the premium, if any, payable on redemption shall be provided for out of the profits of the Company or out of the Company's share premium account, before the shares are redeemed.
(d) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend be transferred to a Reserve Account to be called "The Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided under Section 80 of the Act or herein apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.
(e) subject to the provisions of Section 80 of the Act and this Article the redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and failing that in such manner as the Directors may think fit.

New issue same as original issue

Article 11 states that except so far as otherwise provided by the conditions of issue or by these presents any capital raised by the creation of new shares shall be considered part of the original ordinary capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Reduction of share capital

Article 13 provides that subject to the provisions of these Articles, the Company may from time to time by Special Resolution reduce its share capital in anyway authorised by law and in particular may pay off any paid-up share capital upon the footing that it may be called up again or otherwise and may if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

Consolidation, division and sub-division

Article 14 states –

The Company may in General Meeting alter the conditions of its Memorandum as follows:

(a) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.
(b) sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum subject nevertheless to the provisions of the Act and of these Articles.
(c) cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the share so cancelled.

No issue with disproportionate rights

Article 16 provides that the Company shall not issue any shares (not being preference shares) which carry voting rights or rights in the Company as to dividend capital or otherwise which are disproportionate to the rights attached to the holders of other shares (not being preference shares).

Power to modify class rights

Article 17 provides that if at any time the share capital by reason of the issue of preference shares of otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied, modified, abrogated or dealt with, with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class and all the provisions contained in these Articles as to General Meeting including the provisions relating to quorum at such meetings) shall *mutatis mutandis* apply to every such meeting.

Maximum shareholding

Article 17.1 provides that notwithstanding any other provisions in these Articles, each of TI and DBS agrees that it shall not acquire, and shall procure that (so long as TI Group and DBS Group each hold not less than 20 per cent. of the total paid-up equity share capital of the Company) no member of its Group acquires, without the prior written consent of DBS or (as the case may be) TI, a number of Shares that would result in the total shareholding of TI Group or (as the case may be) DBS Group being higher than the Maximum Shareholding, save that for the avoidance of doubt and subject to Article 17.7 below, neither TI nor DBS shall be required to sell its Shares if (i) any member of the DBS Group or (as the case may be) TI Group sells its Shares to a third party; or (ii) DBS Group's or (as the case may be) TI Group's aggregate shareholding is diluted following an issue of new shares.

Shares to be numbered progressively and no share to be subdivided

Article 18 states that the shares in the capital of the Company shall be numbered progressively according to their several denominations, and, except in the manner herein before mentioned, no share shall be sub-divided.

Directors may allot shares as fully paid up

Article 19 provides that subject to the provisions of the Act and these Articles the Directors may allot and issue shares in the capital of the Company as payment or part payment for any property (including goodwill of any business) sold or transferred, goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid-up or partly paid-up otherwise than in cash and if so issued, shall be deemed to be fully paid-up or partly paid up shares as aforesaid.

Acceptance of shares

Article 20 provides that application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall for the purpose of these Articles be a member.

Company not bound to recognise any interest in shares other than that of the registered holders

Article 23 states that except as required by law no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by, or be compelled in any way, to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share, or (except only as by these Articles or as otherwise by a Court of competent jurisdiction or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

Power to pay commission

Article 24 provides that the Company may at any time pay commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture-stock of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares, debenture or debenture–stock of the Company but so that if the commission in respect of shares shall be paid or payable out of the capital, the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission shall not exceed, two and a half percent of the price at which the

debentures are issued. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

Share Certificate

Members right to share certificate

Article 25 lays down –

(1) Every person whose name is entered as a member in the Register shall be entitled to receive with out payment:
   (a) one certificate for all his shares; or
   (b) where the shares so allotted at any one time exceed the number of shares fixed as market lot in accordance with the usages of the Stock Exchange, at the request of the shareholder several certificates as per marketable lot and one for the balance.

(2) The Company shall within three months after the allotment and within one month after application for registration of the transfer of any shares or debentures complete and have ready for delivery, the share certificates for all the shares and debentures so allotted or transferred unless the conditions of issue of the said shares otherwise provide.

(3) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.

(4) The certificate of title to shares and duplicates thereof when necessary, shall be issued under the seal of the Company and signed by two Directors and the Secretary of the Company.

One certificate for joint holders

Article 26 provides that in respect of any share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate for the same share or shares and the delivery of a certificate for the share or shares to one of the several joint holders shall be sufficient delivery to all such holders. Subject as aforesaid, where more than one share is so held, the joint holders shall be entitled to apply jointly for the issue of several certificates in accordance with Article 29 below.

Renewal of certificate

Articles 27 and 28 deal with renewal of certificate. Article 27 provides that if a certificate be worn out, decrepit, defaced, destroyed, or lost or if there is no further space on the back thereof for endorsement of transfer, it shall, if requested, be replaced by a new certificate without any fee provided however that such new certificate shall not be given except upon delivery of the worn out or defaced or used up certificates, for the purpose of cancellation, or upon proof of destruction or loss, on such terms as to evidence, advertisement and indemnity and the payment of out of pocket expenses as the Board may require in the case of the certificate having been destroyed or lost. Any renewed certificate shall be marked as such in accordance with the Companies (Issue of Share Certificate) Rules 1960 or any modification thereof for the time being in force.

Article 28 goes on to state that the Company would share no fees for issue of a certificate under Article 27.

Splitting and consolidation of share certificate

Article 29 provides that any person (whether the registered holder of the shares or not) being in possession of any shares certificates for the time being may surrender the said share certificate or certificates to the Company and apply to the Company for the issue of two or more fresh share certificates comprising the same shares, bearing the same distinctive numbers comprised in the said certificate and in such separate lots as he may desire in lieu of such share certificate so surrendered or for the consolidation of the shares comprised in such surrendered certificates into one certificate and the Directors shall issue one or more such certificates as the case may be in the name of the person or persons in whose name the original certificate or certificates stood and the new certificate so issued shall be delivered to the person who surrendered the original certificate or to his order provided that the Certificates so split up are not less than the marketable lot per certificate. No fees shall be charged for the issue of such certificates.

Article 30 states that where any shares under the powers in that behalf therein contained are sold by the Directors and the certificate thereof has not been delivered up to the Company the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they think fit from the certificate not so delivered up.

Directors may issue new certificate

Article 31 provides that if, by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be registered holders of the share or his legal representative or representatives, if any.

Calls

Deposit and calls, etc., to be a debt payable immediately

Article 21 provides that the money (if any) which the Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall, immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Installments on shares to be duly paid

Article 22 provides that if by the conditions of allotment of any share the whole or part of the amount or issue price thereof shall be payable by installment, every such installment shall when due be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representative.

Board may make calls

Article 33 provides that the Board of Directors may from time to time, but subject to the conditions hereinafter mentioned, make such calls as they think fit upon the members in respect of all monies unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the times appointed by the Directors. A call may be made payable by installments.

Calls on shares of same class to be made on uniform basis

Article 34 provides that where any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article, shares of the same nominal value on which different amounts have been paid-up shall not be deemed to fall under the same class.

Notice of calls

Article 35(a) provides that a 15 days notice at the least, prior to every call otherwise than on allotment shall be given. The notice must specify the time of payment and if payable to any person other than the Company the name of the person to whom the call shall be paid, provided that before the time for payment of such call the Directors may by notice in writing to the members revoke the same.

Call to date from resolution

Article 35(b) stipulates that a call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Directors.

Directors may extend time

Article 36 empowers the Directors extend the time fixed for the payment of any call. The Article reads as follows -

"The Directors may from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members whom from residence at a distance or other cause, the Directors may deem entitle to such extension, but no members shall be entitled to such extension save as a matter of grace and favour."

Amount payable at fixed time or by installments as calls

Article 37 lays down that if by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times (whether on account or installment) shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.

When interest on call or installment payable

Article 38 provides that if the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof the holder for the time being or allotee of the share in respect of which a call shall have been made or the installment shall be due shall pay interest on the same as the Directors shall fix from the day appointed for the payment but the Directors may waive payment of such interest wholly or in part.

Judgement, decree or partial payment not to preclude forfeiture

Article 39 mandates that neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of a portion of any money which shall form time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any money shall preclude the forfeiture of such shares as herein provided.

Proof on trial of suit for money due on shares

Article 40 lays down that subject to the provisions of the Act and these Articles, on the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any money claimed to be due to the Company in respect of any shares it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder of the shares in respect of which such money is sought to be recovered that the resolution making the call is duly recorded in the minute book; and that the notice of such call was duly given in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such call not any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payments in anticipation of call money interest

Article 41 prescribes that the Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the moneys due upon the shares, held by him beyond the sums actually called for, and upon the moneys so paid in advance or so much thereof as from time to time exceeds the amounts of the calls then made upon the shares in respect of which such advance has been made the Company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon and the Company may at any time repay the amount so advanced upon giving to such member three month's notice in writing. However the amount so paid in advance towards call will not confer a right to participate in the profits of the Company or any dividend that may be declared by the Company.

Forfeiture, surrender and lien

If call or installment not paid notice must be given

Article 42 states that in the event that a member fails to pay the whole or part of and call or installment or any money due in respect of any shares either by way of principle or interest on or before the day appointed for the payment of the same the Directors may, at any time thereafter, during such time as the call or installment or any part thereof or other moneys remain unpaid, or a judgment or decree in respect thereof or remains unsatisfied in whole or in part, serve a notice on such member or on the person (if any) entitled to the share by transmission, requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

Terms of notice

In the event that a notice is served pursuant to Article 42 above, Article 43 prescribes that the notice shall name a day (not being less than 14 days from the date of the notice) on or before which such call, installment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid, and if payable to any person other than the Company, the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the Company) to the person appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited**.**

In default of payment shares to be forfeited

Article 44 provides that in the event that the requirements of the notice have not been complied with then any of the shares in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses or other moneys due in respect thereof, be forfeited by a

resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Entry of forfeiture in register of members

Article 45 provides that in the event of forfeiture of shares an entry of the forfeiture with the date thereof must be made in the Register of Members.

Forfeited shares to be thereof property of the Company and may be sold, etc.,

Article 46 provides that any / all shares forfeited will be the property of the Company and may be sold, re-allotted or otherwise disposed off either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Power to annul forfeiture

Article 47 provides that the Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed, annul the forfeiture thereof upon such conditions as they think fit.

Member still liable to pay money owing at time of forfeiture and interest

Article 48 provides that any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interest, expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine and the Directors may enforce the payment of the whole or portion thereof if they think fit but shall not be under any obligation to do so.

Surrender of shares

Article 49 states that Directors may subject to the provisions of the Act, accept a surrender of any share from or by any member desirous of surrendering on such terms as they think fit.

Company's lien on shares

Article 50 provides that the Company shall have no lien on its fully paid shares. In the case of partly paid-up shares the Company shall have a first and paramount lien only upon all moneys called or payable at a fixed time in respect of such shares. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares to be wholly or in part exempt from the provisions of this Article.

As to enforcing lien by sale

Article 51 states that for the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or the person (if any entitled by transmission to the shares) and default shall have been made by him in payment, fulfillment or discharge of such debts, liabilities or engagements for seven days after such notice. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid the certificates in respect of the shares sold shall stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser or purchasers concerned.

Application of proceeds of sale

Article 52 provides that the net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of such debts, liabilities or engagements of such member and the residue (if any) paid to such member or the person (if any) entitled by transmission to the shares so sold.

Certificate of forfeiture

Article 53 provides that a certificate in writing under the hands of two Directors, that the call in respect of a share was made, and notice thereof given, and that default in payment of the call was made, and that the forfeiture of the share was made, by a resolution of the Directors to that effect, shall be conclusive evidence of the fact stated therein as against all persons entitled to such share.

Title of purchaser and allottee or forfeited shares

Article 54 provides that the Company may receive the consideration, if any, given for the shares on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share and shall not be bound to see to the application of the consideration or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment of the share.

Transfer and transmission of shares

Register of transfer

Under Article 55 the Company is required to maintain a register wherein it is required to fairly and distinctly enter the particulars of every transfer or transmission of any share. Such a register is to be known as the "Register of Transfer".

Form of transfer

Article 56 provides that subject to the provisions of these Articles, shares in the Company may be transferred by an instrument in writing in such form and by such procedure as from time to time may be prescribed by law. Subject thereto the directors may prescribe a common form for instruments of transfer, which may from time to time be altered by the Directors.

Article 56.1 provides that nothing in Article 56 shall apply to a transfer of securities effected by the transferor and transferee both of whom are entered as beneficial owners in the records of a depositary.

Application of transfer

Article 57 which deals with application of transfer states that –

(1) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.

(2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(3) For the purposes of Sub-Clause (2) above notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

Execution of transfer instrument

Article 58 provides that every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.

Transfer not to be registered except on production of instrument of transfer

Article 59 states that the Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the Company along with the certificate relating to the shares, or if no such share certificate is in existence, along with the letter of allotment of the shares. Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is provided to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit, provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

Directors may refuse to register transfer

Article 60 states that subject to the provisions of Section 111A of the Act and the provisions of these Articles, or any statutory modification thereof for the time being in force, the Directors may, at their own absolute and uncontrolled discretion, and without assigning any reason, decline to register or acknowledge any transfer of shares and, in particular, may so decline in any case in which the Company has a lien upon the shares or any of them or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a member. The registration of a transfer shall be

conclusive evidence of the approval of the transferee by the Directors. Registration of a transfer shall not be refused on the ground of the transferor being, either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.

Notice of refusal to be given to transferor and transferee

Article 61 provides that if the Company refuses to register the transfer of any share or transmission of any share right therein, the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Company send notice of refusal of the transferee and transferor or to the person giving information of the transmission, as the case may be, and thereupon the provision of Section 111A of the Act or any statutory modification thereof for the time being in force shall apply.

Transfer by legal representative

Article 62 provides that a transfer of a share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

Custody of transfer

Article 63 provides that the instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Directors may decline to register shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company for a period of ten years or more.

Close of transfer books

Article 64 provides that Directors shall have power on giving not less than seven days previous notice by advertisement as required by Section 154 of the Act to close the transfer books of the Company for such period or periods of time not exceeding in the whole 45 days in each year but not exceeding 30 days at a time as they may seem fit.

Registration of persons entitled to shares otherwise than by transfer (Transmission Clause)

Article 66 stipulates that subject to the provisions of the Act and these Articles, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors shall require either be registered as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares; Provided he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of such shares. This clause is herein referred to as the '*Transmission Clause*'.

Refusal to register nominee

Article 67 states that subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Board may require evidence of transmission

Article 68 states that every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

In addition, Article 69 provides that no fee shall be charged by the Company for registration of transfers or for effecting transmissions of shares on the death of any member or for registration of any letters of probate, letters of administration and similar other documents.

Voluntary transfer of Shares

Article 70.1 provides that subject to applicable law, the provisions of Articles 70.1 to 70.11 apply in relation to any transfer, or proposed transfer, of Shares in the Company or any interest in those Shares by TI and DBS (and any member of their respective Groups) after the Lock Up Period.

Restriction on transfer

Article 70.2 states –

Except as permitted by Articles 70.1 to 70.11 or with the prior written consent of the other party, TI and DBS shall not, and shall procure that the members of their respective Groups shall not:

(a) transfer any Shares;
(b) grant, declare, create or dispose of any right or interest in any Shares; or
(c) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any Shares.

Permitted Transfers

Article 70.3 states –

Except for transfers for which consent is given under Article 70.2 or for intra-Group transfers permitted under Article 70.8, TI and DBS shall not, and shall procure that the members of their respective Groups shall not transfer, or procure the transfer of, Shares unless the selling Shareholder (the *Seller*) transfers, or procures the transfer of, all (and not some only) of the Shares collectively held by it and the members of its Group (the *Seller's Shares*).

Transfer Notice

Article 70.4 states –

Before the Seller transfers, or procure the transfer of, the Seller's Shares, the Seller shall first give DBS (if the Seller is TI) or, as the case may be, TI (if the Seller is DBS) (the *Continuing Party*) written notice (a *Transfer Notice*) of any proposed transfer together with details of any proposed unrelated third party purchaser (a *Third Party Purchaser*), the purchase price and other material terms which the Seller and the Third Party Purchaser have agreed.

Right of Continuing Party to purchase

Article 70.5 states –

On receipt of the Transfer Notice, the Continuing Party shall have the right to buy all (but not some only) of the Seller's Shares at the price specified in the Transfer Notice (or at such other price as the Seller and the Continuing Party agree in writing) by giving written notice to the Seller within sixty (60) days of receiving the Transfer Notice (the *Acceptance Period*). The Continuing Party may nominate one or more third parties to purchase some or all of the Seller's Shares if the Continuing Party does not wish to purchase all or any of the Seller's Shares in its own name.

Obligation to complete

Article 70.6 states –

The Continuing Party shall be bound (subject only to any necessary approvals of its shareholders in general meeting and any Regulatory Approvals) to buy the Seller's Shares on giving the Seller notice that it is exercising its rights under Article 70.5. In such event, completion of the sale and purchase of the Seller's Shares shall take place within thirty (30) days of the giving of the notice or, if later, immediately on the obtaining of all Regulatory Approvals and the satisfaction of the requirements of all applicable laws (save that if all Regulatory Approvals are not obtained, or the requirements of all applicable laws are not satisfied within 60 days of the giving of notice, the sale of the Seller's Shares shall not be complete). Each party shall use all reasonable efforts on its part to ensure that any necessary approvals are obtained and the requirements of all applicable laws are satisfied.

Seller's right to sell to Third Party Purchaser

Article 70.7 states –

If the Continuing Party does not exercise its rights to buy under Article 70.5, the Seller may (subject to Article 70.11 below) transfer the Seller's Shares on a bona fide arm's length sale to a Third Party Purchaser at a price not less than the purchase price specified in the Transfer Notice, provided that the transfer is completed within one-hundred and twenty (120) days after the date of the Transfer Notice or, if later, immediately on the obtaining of all Regulatory Approvals and the satisfaction of the requirements of all applicable laws (save that if all Regulatory Approvals are not obtained, or the requirements of all applicable laws are not satisfied within 150 days after the date of the Transfer Notice, the sale of the

Seller's Shares shall not complete). The parties shall give (or ensure that any shareholders in their respective Groups shall give) any approvals required by the Articles of Association in relation to any transfer of Shares permitted by the terms of the Articles of Association and the Shareholders' Agreement.

Intra-Group Transfers

Article 70.8 states –

TI or DBS may at any time transfer any of the Shares held by it to any person which is a member of its Group, provided that TI or (as the case may be) DBS shall notify the other party and the Company of the transaction in writing as soon as reasonably practical after the transfer and provided also that the selling shareholder shall ensure that the transferee shall adhere to the terms of Articles 70.1 to 70.11. For the avoidance of doubt, any TI Shareholder may at any time transfer any of the Shares held by it to any other member of the TI Group and any DBS Shareholder may at any time transfer any of the shares held by it to any other member of the DBS Group.

Shareholders ceasing to be a member of the Group

Article 70.9 states –

Each of DBS and TI undertakes to ensure that any member of its Group which holds Shares shall transfer all of the Shares which it then holds to such shareholder (or to another member of such shareholder's Group) before it ceases at any time to be a member of the relevant shareholder's Group.

Tag Along

Article 70.10 states –

If the Seller proposes to sell the Seller's Shares on a bona fide arm's length sale to a Third Party Purchaser in accordance with Article 70.7, it shall notify the Continuing Party in writing of such proposal within seven (7) days after (i) in the case where the Seller has identified a Third Party Purchaser on or prior to the end of the Acceptance Period, the expiry of the Acceptance Period or (ii) in all other cases, the Seller has identified a Third Party Purchaser. If within twenty one (21) days following receipt of such notice, the Continuing Party so requests in writing, the Seller shall not complete such sale unless it ensures that the Third Party Purchaser offers to buy from the Continuing Party and any member of its Group all the Shares held by the Continuing Party and the members of its Group on the same terms (including price per Share which must be cash) as apply to the purchase of the Seller's Shares. If the Continuing Party does not make such a request in writing within twenty one (21) days, the Seller shall be under no further obligation to ensure that the Third Party Purchaser offers to buy the Continuing Party's Shares. Subject to all applicable laws, the offer shall:

(a) be irrevocable and unconditional (except for any conditions which apply to the proposed transfer of the Seller's Shares);
(b) fully describe all material terms and conditions (including terms relating to price, time of completion and conditions precedent) agreed between the Seller and the Third Party Purchaser;
(c) be governed by the laws of India or the laws of such other jurisdiction as may govern any agreement between the Seller and the Third Party Purchaser;
(d) be open for acceptance by the Continuing Party during a period of not less than twenty one (21) days after receipt of such offer.

If the offer is accepted by the Continuing Party, the sale shall be conditional upon completion of the Seller's sale to the Third Party Purchaser and shall be completed at the same time as that sale in accordance with and within the timeframes provided in Article 70.7. If the Continuing Party does not accept the offer in writing within the period stipulated for acceptance of such offer, the Seller shall be under no obligation to ensure that the offer remains open and shall be free to sell the Seller's Shares to the Third Party Purchaser, provided that no material change is made to any of the material terms and conditions (including terms relating to price, time of completion and conditions precedent) agreed between the Seller and the Third Party Purchaser and described to the Continuing Party pursuant to this Article 70.10. If such a material change is agreed between the Seller and the Third Party Purchaser, the Seller must ensure that a new offer is made to the Continuing Party in accordance with this Article 70.10.

Article 70.11 further states that –

If the buyer is a Third Party Purchaser, the Seller shall use all reasonable endeavours to ensure that the Third Party Purchaser enters into an agreement with the Continuing Party to be bound (in terms reasonably satisfactory to the Continuing Party) by provisions corresponding to the Seller's obligations under the Shareholders' Agreement including (but without limitation) those under the relevant non-competition provisions of the Shareholders' Agreement and this Article 70.

In addition, Article 70.12 states –

For the avoidance of doubt, if the Seller does not complete the sale of its Shares in accordance with, and within the timeframe provided in, Articles 70.6 or 70.7, as the case may be, then:

(a) the Transfer Notice issued by the Seller in that connection shall lapse; and

(b) the Seller shall be required to serve another Transfer Notice and comply with the provisions set out in Articles 70.1 to 70.12 (including this Article) if the Seller wishes to transfer any of its Shares subsequently.

Conversion of shares into stocks

Conversion of shares into stocks and re-conversion

Article 71 states that –

Subject to the provisions of these Articles, the Company may, by ordinary resolution of the Company in General Meeting:

(a) convert any paid-up shares into stock; and

(b) re-convert any stock into paid-up shares of any denomination.

Transfer of stock

Article 72 provides that the holders of stock may transfer the same, or any part thereof in the same manner as, and subject to the same regulations under which the shares from which the stock arose might before the conversions have been transferred, or as near thereto as circumstances admit; provided that, the board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

Rights of stock-holders

Article 73 states that the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, participation in profits, voting at meetings of the Company, and other matters, as if they had held the shares from which the stock arose; but no such privilege or advantage (except dividends, participation in profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

Joint Holders

Joint-holders

Article 75 states –

Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-tenants with benefits of survivorship subject to the following and other provisions contained in these Articles:

(a) the Company shall be entitled to decline to register more than 6 persons as the joint-holders of any share.

(b) the joint-holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.

(c) on the death of any such joint-holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the share but the Directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.

(d) any one of such joint-holders may give effectual receipts of any dividends or other monies payable in respect of such shares.

(e) only the person whose name stands first in the Register of Members as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share or to receive documents (which expression shall be deemed to include all documents referred to in Article 211) from the Company and any documents served on or sent to such person shall be deemed service on all the joint-holders.

(f) any one of two or more joint-holders may vote at any meeting either personally or by attorney duly authorised under a power of attorney or by proxy in respect of such share as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher

(as the case may be) on the register in respect of such share shall alone be entitled to vote in respect thereof. Provided always that a joint-holder present at any meeting personally shall be entitled to vote in preference to a joint-holder present by an attorney duly authorised under power of attorney or proxy although the name of such joint-holder present by an attorney or proxy stands first or higher as the case may be in the Register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member's) sole name any share stands shall for the purposes of this Sub-Clause be deemed joint-holders.

BORROWING POWERS

Borrowing

Borrowing

Article 76 states as follows –

(1) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under Section 293 of the Act, raise any money or any monies or sums of money for the purpose of the Company provided that the monies to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course or business shall not without the sanction of the Company at a General Meeting exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company, by the issue of debentures perpetual or otherwise including debentures convertible into shares of this or any other Company or perpetual annuities and security of any such money so borrowed, raised, or received, mortgage, pledge or charge, the whole or any part of the property, assets, or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale of the property except uncalled capital and other powers as may be expedient and to purchase, redeem or pay off any securities.
Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount up to which monies may be borrowed by the Board of Directors.

(2) The Directors may by a resolution of a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or the Managing Directors if any, within the limits prescribed.

(3) Subject to the provisions of the above Sub-Clauses the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any such sum or sums of money for the purpose of the Company at such time and in such manner and upon such terms and conditions in all respects as they think fit, and in particular, by promissory notices, or by opening current accounts, or by receiving deposits and advances with or without security or by the issue of bonds, perpetual or redeemable debentures or debenture-stock of the Company charged upon all or any of the part of the property of the Company (both present and future) including its uncalled capital for the time being, or by mortgaging, hypothecating or charging or pledging any lands, buildings, goods or other property and securities of the Company or by such other means as to them may seem expedient.

Debenture

Assignment of debentures

Article 77 provides that such debentures, debenture-stock, bonds or other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.

Terms of debenture issue

Article 78 states that –

(1) Without prejudice to the provisions of Article 76 above, any such debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise, and with any special privileges as to redemption, drawings, allotment of shares of the Company appointment of Directors.
Provided that debentures, debenture-stock, bonds or other securities with the right to allotment or conversion into shares shall not be issued except with the sanction of the Company in General Meeting.

(2) Any trust deed for the securing of any debenture-stock and/or any mortgage deed and/or other bond for securing payment of monies borrowed by or due by the Company and/or any contract or any agreement made by the Company with any person, firm, body corporate, Government or authority who may render or agree to render any financial assistance to the Company by way of loans advanced or by guaranteeing of any loan borrowed or other obligations of the Company or by subscription to the share capital of the Company or provide assistance in any other manner, may provide the appointment, from time to time, by any such mortgagee, lender, trustee or holders of debentures or contracting party as aforesaid, or one or more persons to be a Director or Directors of the Company. Such trust deed, mortgage deed, bond or contract may provide that the person appointing a Director as aforesaid may from time to time remove any Director so appointed by him and appoint any other person in his place and reviewed for filling up any casual vacancy created by such person vacating office as such Director. Such power shall determine and terminate on the discharge or repayment of the respective mortgage, loan or debt or debentures or on the termination of such contract and any person so appointed as Director under mortgage or bond or debenture trust deed or under such contract shall cease to hold office as such director on the discharge of the same. Such appointment and provision in such document as aforesaid shall be valid and effective as if contained in these presents.

Nominated Directors

Article 79 provides that the Director or Directors so appointed by or under a mortgage deed, debenture trust deed or other bond or contract as aforesaid shall be called "*Nominated Director(s)*". Nominated Directors shall mean the Director appointed as aforesaid and for the time being holding such office. The Nominated Director shall not be required to hold any qualification shares and shall not be liable to retire by rotation or to be removed from office by the Company. Such mortgage deed or bond or trust deed or contract may contain such auxiliary provisions as may be arranged between the Company and mortgage, lender, trustee or contracting party as the case may be and all such provisions shall have effect notwithstanding any of the other provisions herein contained but subject to be provisions of the Act.

Register of mortgages

Article 80 provides that the Directors shall cause a proper register to be kept, in accordance with the Act, or all mortgages and charges specifically affecting the prosperity of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified and otherwise.

Subsequent assignees of uncalled capital

Article 81 provides that where any uncalled capital of the Company is charged, all persons taking any subsequent charge there on shall take the same subject to such prior charge and shall not be entitled, by notice to the shareholders or otherwise to obtain priority over such prior charge.

Charge in favour of directors for indemnity

Article 82 provides that if the Directors or any of them or any other persons, shall become personally, liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.

Powers to be exercised by board only at meeting

Article 83 states that –

(1) The Board shall exercise the following powers on behalf of the Company and the said power shall be exercised only by resolution passed at a meeting of the Board:
   (a) powers to make calls on shareholders in respect of money unpaid on their shares.
   (b) power to issue debentures.
   (c) power to borrow moneys otherwise than on debentures.
   (d) powers to invest the funds of the Company; and
   (e) power to make loans.

(2) The Board may by a resolution passed at a meeting delegate to any committee of the Board or to Managing Director, if there is any one, the powers specified in Sub-Clauses (c), (d) and (e) of Clause (1) above.

(3) Every resolution delegating the power set out in Sub-Clause (d) of Clause (1) above shall specify the total amount outstanding at anyone time up to which the monies may be borrowed by the said delegate.
(4) Every resolution delegating the power set out in Sub-Clause (c) of Clause (1) above shall specify the total amount up to which the funds maybe invested and the nature of investments which may be made by the delegate.
(5) Every resolution delegating the power referred to in Sub-Clause (e) of Clause (1) above shall specify the total amount up to which loans may be made by the delegate, the purpose for which the loans may be made and the maximum amount of the loan that they may be made for each such purpose in individual cases.

GENERAL MEETING

Convening Meetings

Annual General Meeting

Article 84 states as follows –

(1) The Company shall, in addition to any other meetings, hold a General Meeting (herein called as "*Annual General Meeting*") at the intervals and in accordance with the provisions herein specified. The Annual General Meeting of the Company other than the first Annual General Meeting shall be held within six months after the expiry of each financial year; Provided however that if the Registrar of Companies shall have for any special reason extended the time within which any Annual General Meeting shall be held by a further period not exceeding three months, the Annual General Meeting may be held within the additional time fixed by the Registrar. Except in the cases where the Registrar has given an extension of time as aforesaid for holding any Annual General Meeting, not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next.
(2) Subject to the provisions of the Act every Annual General Meeting shall be called for a time during business hours and on such day (not being public holiday) as the Directors may from time to time determine and it shall be held either at the Registered Office of the Company or at some other place (within the city, town or village in which the Registered Office is situate) as the Board may decide. The notice calling the meeting shall specify it as the Annual General Meeting.

Extraordinary General Meeting

Article 85 provides that all General Meetings other than the Annual General Meeting shall be know as "*Extraordinary General Meeting*".

Directors may call Extraordinary General Meeting

Article 86 empowers the Board of Directors to call for an Extraordinary General Meeting whenever they deem proper.

Calling of Extraordinary General Meeting on requisition

Article 87 states –

(1) The Board of Directors shall, on the requisition of such number of members of the Company as hold in regard to any matter at the date of the requisition, not less than one-tenth of such of the paid-up capital of the Company as at that date carries the right of voting in regard to that matter, forthwith proceed duly to call an Extraordinary General Meeting of the Company and the provisions of Section 169 of the Act (including the provisions below) shall be applicable.
(2) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.
(3) The requisition may consist of several documents in like form, each signed by one or more requisitionists.
(4) Where two or more distinct matters are specified in the requisition, the provisions of Sub-Clause (1) above shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that Sub-Clause is fulfilled
(5) If the Board of Directors do not, within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition the

meeting may be called by the requisitionists themselves or by such of the requisitionists as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Sub-Clause (1) above which ever is less.

(6) A meeting called under Sub-Clause (5) above by the requisitionists or any of them shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board, but shall not be held after the expiration of three months from the date of the deposit of the requisition.

(7) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

Notice of meeting

Article 88 states –

(1) A General Meeting may be called by giving not less than 21 days notice in writing.

(2) However, a General Meeting may be called after giving shorter notice than 21 days, if the consent is accorded thereto:

(a) in the case of an Annual General Meeting by all members entitled to vote there at; and

(b) in the case of any other meeting, by members of the Company holding not less than 95% of such part of the paid-up share capital of the Company as gives a right to vote at that meeting.

Provided that where any members of the Company are entitled to vote only on one or more resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purpose of this Sub-Clause in respect of the former resolution or resolutions but not in respect of the latter.

Contents of notice

Article 89 stipulates that the notice must specify the place, date and time of the meeting, along with a statement of the business to be transacted. Also, every notice must contain the statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and that a proxy need not be a member of the Company.

Special Business

Article 90 states –

(1) In the case of an Annual General Meeting all business to be transacted at the meeting shall be deemed special, with the exception of business relating to:

(a) the consideration of the accounts, balance sheet and profit and loss account and the report of Board of Directors and of the Auditors;

(b) the declaration of dividend;

(c) the appointment of Directors in the place of those retiring;

(d) the appointment and the fixing of the remuneration of the Auditors.

(2) In case of any other meeting all business shall be deemed special.

(3) Where any item of business to be transacted at the meeting is deemed to be special as aforesaid there shall be annexed at the notice of the meeting statement setting out all material facts concerning each such item of business including in particular, the nature of the concern or interest, if any, therein of every Director and Managers, if any.

Provided, however, that where any item of special business as aforesaid to be transacted at a meeting of the Company relates to, or affects any other company the extent of shareholding interest in the other company of every Director and Manager, if any, of the Company shall also be set out in the Explanatory Statement, if the extent of such shareholding interest is not less than 20 (twenty) percent of the paid-up share capital of that other company.

(4) Where any item of business to be transacted at the meeting of the Company consists of according the approval of the meeting to any document, the time and place where the document can be inspected shall be specified in the explanatory statement.

Service of notice

Article 91 provides that the notice of every meeting shall be given to every member of the Company in any manner authorised by Sub-Section (1) to (4) of Section 53 of the Act and these Articles. It shall be given to the persons entitled to a share in consequence of the death or insolvency of a member, by sending it through the post in prepaid letter addressed to them by name, or by sending it through the post in prepaid letter addressed to them by name, or by the title of the representative of the deceased, or assignees of the

insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred. Provided that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the Registered Office of the Company under Sub-Section (3) of Section 53 of the Act, the explanatory statement need not be annexed to the notice as required by Section 173 of the said Act, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

Special notice

Article 94 states that –

(1) Where, by any provision contained in the Act or in these Articles special notice is required of any resolution, notice for the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved, exclusive of the day on which notice is served or deemed to be served and the day of the meeting.

(2) The Company shall, immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolutions in the same manner as it gives notice of the meetings, or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by the Articles not less than seven days before the meeting.

Proceedings at General Meeting

Quorum at General Meeting

Article 95 provides that subject to the provisions of Article 170.4, five members entitled to vote and present in person shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business.

Proceedings when quorum not present

Article 96 provides that subject to the provisions of Article 170.4, if within half an hour after the time appointed for the holding of a General Meeting a quorum be not present the meeting if convened on the requisition of shareholders shall be dissolved and in every other case shall stand adjourned to the same day in the next week at the same time and place or to such other day time and place as the Directors may by notice to the shareholders appoint. If at such adjourned meeting a quorum is not present those members present shall be quorum and may transact the business for which the meeting was called.

Chairman of the Board of Directors or Vice-Chairmen or a Director to be chairman of General meeting

Article 98 (a) provides that the Chairman (if any) of the Board of Directors shall, if willing, preside as Chairman at every General Meeting, whether Ordinary or Extraordinary, but if there be no such chairman, or in case of his absence or refusal the Vice-Chairman (if any) of the Board of Directors shall, if willing, preside as Chairman at such meeting and if there be no such Vice-Chairman, or in case of his absence or refusal, any one of the Directors (if any be present) shall be chosen to be Chairman of the Meeting.

In case of their absence or refusal a member may act

Article 98 (b) provides that if at any meeting a quorum of members shall be present and the Chair shall not be taken by the Chairman of the Board or by the Vice-Chairman or by a director at the expiration of fifteen minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their own members to be chairman of the meeting.

Evidence of passing a resolution where poll not demanded

Article 102 provides that at any General Meeting, a resolution put to the vote of the meeting shall unless a poll is demanded be decided on a show of hands. Subject to Article 170.5 a declaration by the Chairman that on a show of hands a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Demand for poll

Article 103 states that before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting on his own motion and shall be

ordered to be taken by him on demand made in that behalf by any member or members present in person or by proxy and holding shares in the company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid-up.

Time and manner of taking poll

Article 104 provides that a poll demanded on any question (other than the election of the Chairman or on a question of adjournment which shall be taken forthwith) shall be taken at such place and at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct. Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Scrutineers at poll

Article 105 provides that where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the offices of scrutineers arising from such removal or from any other cause. Of the two scrutineers appointed under this Article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

Demand for poll not to prevent transaction of other business

Article 106 provides that the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than question on which the poll has been demanded.

Reports Statements and Registers to be laid on the table

Article 108 states that at every Annual General Meeting of the Company there shall be laid on the table the directors' report and audited statement of accounts, Auditors' Report (if not already incorporated in the audited statement of accounts), the Proxy Register with proxies and the Register of Directors' holdings maintained under Section 307 of the Act. The Auditors' Report shall be read before the Company in General Meeting and shall be open to inspection by any member of the Company.

Registration of certain Resolution and Agreements

Article 109 states that –

A copy of each of the following resolutions (together with a copy of the statement of material facts annexed under Section 173 to the notice of the meeting in which such resolution has been passed) or agreement shall, within thirty days after the passing or making thereof be printed or typewritten and duly certified under the signature of an Officer of the Company and filed with the Registrar:

(a) Special Resolutions:
(b) Resolutions which have been agreed to by all the members of the Company but which if not so agreed to, would not have been effective for their purpose unless they had been passed as Special Resolutions.
(c) Resolution of the Board or agreement relating to the appointment, reappointment or the renewal of the appointment or variations of the terms of appointment of a Managing Director;
(d) Resolutions or agreements which have been agreed to by the members of any class of shareholders but which, if not so agreed to, would not have been effective for their purpose unless they had been passed by some particular majority or otherwise in some particular manner; and all resolutions or agreements which effectively bind all the members of any class of shareholders though not agreed to by all those members;
(e) Resolutions require the Company to be wound up voluntarily passed in pursuance of Sub-Section (1) of Section 484 of the Act.
(f) Resolutions passed by the Company according to the consent to exercise by its Board of Directors of any of the powers under Clause (a), Clause (d) and Clause (e) of Sub-Section (1) of Section 293 of the Act; and
(g) Resolution passed by the Company approving the appointment of sole selling agents under Section 294 of the Act.

A copy of every resolution which has the effect of altering Articles of Association of the Company and a copy of every agreement referred to in Clauses (c) & (d) above shall be embodied in and

annexed to every copy of the Articles issued after the passing of the resolution or the making of the agreement.

Minutes of General Meetings

Article 110 provides that the Company shall cause minutes of all proceedings of every General Meeting to be kept in accordance with the provisions of Section 193 of the Act by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialled or signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of the Chairman within that period, by a Director duly authorised by the Board for that purpose. In no case the minutes of the proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise. Any such minutes kept as aforesaid shall be evidence of the proceedings recorded therein.

Votes of members

Votes may be given by proxy or attorney

Article 113 provides that subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate also by a representative duly authorised under Section 187 of the Act and Article 114.

Article 114 states –

(1) Subject to the provisions of Act and these Articles, upon a show of hands every member entitled to vote and present in person (including a body corporate present by a representative duly authorised in accordance with the provisions of Section 187 of the Act and Articles 113 or by attorney or in the case of a body corporate by proxy) shall have one vote.

(2) Subject to the provisions of the Act and these Articles, upon a poll every member entitled to vote and present in person (including a body corporate present as aforesaid) or by attorney or by proxy shall be entitled to vote and shall have the following voting rights:

(a) in respect of every ordinary share his voting right shall be in the same proportion as the capital paid-up on such ordinary share his voting right shall be in the same proportion as the capital paid-up on such ordinary share bears to the total paid-up ordinary capital of the Company;

(b) in respect of every fully paid preference share his voting right shall be equal to the voting right for a fully paid ordinary share.

No voting by proxy on show of hands

Article 115 provides that no member not personally present shall be entitled to vote on a show of hands unless such member is present by attorney or unless such member is a body corporate present by a representative duly authorised under Section 187 of the Act or by a proxy in which case such attorney or representative or proxy may vote on a show of hands as if he was a member of the Company.

Votes in respect of shares of deceased, insolvent members

Article 116 provides that any person entitled under the Transmission Articles (refer Article 66) to transfer any shares may vote at any General Meeting in respect thereof as if he was the registered holder of such shares provided that at least 48 hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his rights to vote at such meeting in respect thereof.

No member to vote unless calls are paid-up

Article 117 provides that subject to the provisions of the Act no member shall be entitled to be present or to vote at any General Meeting either personally or by proxy or attorney or be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the shares of such member.

Right of member to use his votes differently

Article 118 provides that on a poll taken at a meeting of the Company a member entitled to more than one vote, or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Proxies

Article 119 provides that any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself, but a proxy so appointed shall not have any right to speak at the meeting.

Appointment of proxy

Article 120 provides that every proxy shall be appointed by an instrument in writing signed by the appointor in writing, or if the appointor is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

Deposit of instrument of appointment

Article 121(1) provides that the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the office of the Company not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution except in the case of the adjournment of any meeting first held previously to the expiration of such time. An attorney shall not be entitled to vote unless the power of attorney or other instrument appointing him or notarially certified copy thereof has either been registered in the records of the Company at any time not less than forty-eight hours before the time fixed for such meeting as aforesaid. Notwithstanding that a power of attorney or other authority has been registered in the records of the Company, the Company may by notice in writing addressed to the member or the attorney given at least fourteen days before the meeting require him to produce the original power of attorney or authority and unless the same is thereon deposited with the Company not less than forty eight hours before the time fixed for the meeting the attorney shall not be entitled to vote at such meeting unless the Directors in their absolute discretion excuse such non-production and deposit.

Inspection of proxies

Article 121(2) provides that every member entitled to vote at a meeting of the Company according to the provisions of those Articles on any resolutions to be moved thereat shall be entitled during the period beginning twenty four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting to inspect the proxies lodged, at any time during the business hours of the Company provided not less than three days notice in writing of the intention so to inspect is given to other Company.

DIRECTORS

Number of Directors

Article 127 provides that until otherwise determined by General Meeting the number of Directors shall not be less than three nor more than twelve.

Board of Directors

Article 127(2) provides that unless varied in accordance with Article 127.3, for so long as each of TI Group and DBS Group holds 25 per cent or more of the total paid-up equity share capital of the Company, the Board of the Company shall, unless otherwise agreed by TI and DBS, comprise a maximum of ten Directors of which three (3) shall be TI Directors, three (3) shall be DBS Directors and four (4) shall be Independent Directors. All four Independent Directors shall, unless otherwise agreed by TI and DBS, be jointly agreed by TI and DBS in accordance with Article 127.7.

Further, Article 127(3) states –

So long as a party together with the members of its Group (*Party A*) in aggregate owns or controls 25 per cent. or more of the total paid up equity share capital of the Company and the other party together with the members of its Group (*Party B*) in aggregate:

(a) owns or controls 20 per cent. or more but less than 25 per cent. of the total paid up equity share capital of the Company, Party A and Party B shall be entitled to nominate four (4) directors and two (2) directors respectively. In addition, Party A shall be entitled to select three (3) Independent Directors and the Chief Executive. One (1) Independent Director will be jointly agreed by both parties;

(b) owns or controls 10 per cent. or more but less than 20 per cent. of the total paid up equity share capital of the Company, Party A and Party B shall each be entitled to nominate five (5) directors

and one (1) director respectively. In addition, Party A shall be entitled to select four (4) Independent Directors and the Chief Executive; and

(c) owns or controls less than 10 per cent. of the total paid up equity share capital of the Company, Party A shall be entitled to nominate six (6) directors and Party B shall not be entitled to nominate any director. In addition, Party A shall be entitled to select four (4) Independent Directors and the Chief Executive,

Provided that, if Party B (or any member of its Group) is engaged in a business in India which competes (in accordance with the provisions of the Shareholders' Agreement) with the Company and/or its Subsidiaries in India, Party B shall not be entitled to any representation on the Board of the Company or its Subsidiaries.

Appointment and removal of Directors

Article 127(4) provides that each TI and DBS may appoint or remove a Director nominated by it by written notice, together with the consent/resignation letter as the case may be, to the Company signed by it or on its behalf. The appointment or removal shall take effect when the notice is delivered to the Company and is approved by the Board. Each of TI and DBS shall, and shall procure that the members of their respective Groups shall, use their respective votes in the Company to ensure that the Board is constituted by persons in the manner set out in this Article.

Independent Directors

Article 127(5) provides that the Independent Directors of the Company shall be individuals of recognised qualification and appropriate experience and may be of any nationality.

Article 127(6) further provides that none of the Independent Directors shall be a director, officer, employee or advisor of any member of TI Group or DBS Group. None of the Independent Directors selected by DBS shall be a director, officer, employee or advisor of Temasek Holdings (Private) Limited or its Affiliates.

Lastly, Article 127(7) provides that TI and DBS shall exchange lists of nominees for Independent Directors who are to be jointly agreed. The names of the jointly agreed Independent Directors shall be selected from the lists and agreed upon by TI and DBS.

Chairman

Under Article 127(8), Mr. M A Alagappan is the Chairman of the Company. Subject to Article 127.9, TI may nominate any person as Chairman in place of Mr. Alagappan.

Article 127(9) states –

With respect to any subsequent Chairman of the Company, for so long as:

(a) TI Group's aggregate shareholding (a) is 25 per cent. or more of the total paid-up equity share capital of the Company and (b) is equal to or greater than DBS Group's aggregate shareholding, TI shall have the right to nominate the Chairman subject to DBS's consent (such consent not to be unreasonably withheld), provided that DBS Group's aggregate shareholding is 25 per cent. or more of the total paid-up equity share capital of the Company;

(b) DBS Group's aggregate shareholding (a) is 25 per cent. Or more of the total paid-up equity share capital of the Company and (b) is greater than TI Group's aggregate shareholding, DBS shall have the right to nominate the Chairman subject to TI's consent (such consent not to be unreasonably withheld), provided that TI Group's shareholding is 25 per cent. or more of the total paid-up equity share capital of the Company.

Article 127(10) provides that the Chairman shall not have any veto or casting vote at meetings of the Board or at General Meetings of the shareholders.

Quorum

Article 127(11) provides that for so long as each of TI Group and DBS Group holds 25 per cent. or more of the total paid-up equity share capital of the Company, the quorum for transacting business at any Board meeting shall (unless TI and DBS agree otherwise) be at least one third of the total number of Directors, rounded off to the next higher whole number, including at least one TI Director and at least one DBS Director present when the relevant business is transacted. If that quorum is not present within thirty (30) minutes from the time when the meeting should have begun or if during the meeting there is no longer a quorum, the meeting shall be adjourned for twenty-one (21) Business Days, to be held at the same time and at the same place. If the required quorum is not present within thirty (30) minutes from the time that the

adjourned meeting should have begun, the presence of at least one-third of the total number of Directors rounded off to the next higher whole number shall form the quorum for the adjourned meeting. Only matters specified in the agenda for the meeting shall be discussed at the relevant meeting unless (so long as each of TI Group and DBS Group holds 25 per cent. or more of the total paid-up equity share capital of the Company) at least one TI Director and one DBS Director shall agree otherwise in writing.

Board Committees

Articles 127(12) to 127(16) deal with Board Committees.

Article 127(12) provides that the Audit Committee of the Company shall, unless otherwise agreed by TI and DBS, consist of three (3) Independent Directors. Unless otherwise agreed by TI and DBS, one (1) TI Director and one (1) DBS Director will be invited to attend the meetings of the Audit Committee, so long as each of TI Group and DBS Group holds 25 per cent. or more of the total paid-up equity share capital of the Company.

Article 127(13) provides that for so long as each of TI Group and DBS Group holds 25 per cent. or more of the total paid-up equity share capital of the Company, the Remuneration and Nomination Committee shall, unless otherwise agreed by TI and DBS, consist of three (3) members, namely one (1) TI Director, one (1) DBS Director and one (1) Independent Director. For the avoidance of doubt, if TI Group's or DBS Group's aggregate shareholding falls below 25 per cent. of the total paid-up equity share capital of the Company, TI or (as the case may be) DBS shall cease to be entitled to nominate any person to be a member of the Remuneration and Nomination Committee.

Article 127(14) provides that the Board shall also establish a Business Committee (or a committee referred to by any other name) which, unless varied in accordance with Article 127.15, for so long as each of TI Group and DBS Group holds 25 per cent. or more of the total paid-up equity share capital of the Company, shall, unless otherwise agreed by TI and DBS, consist of a minimum of four (4) members, namely two (2) TI Directors and two (2) DBS Directors. The Chief Executive will be invited to attend the meetings of the Business Committee.

Article 127(15) states –

So long as either TI or DBS together with the members of its Group (*Party A*) in aggregate owns or controls 25 per cent. or more of the total paid-up equity share capital of the Company and the other party together with the members of its Group (*Party B*) in aggregate:

(a) owns or controls 20 per cent. or more but less than 25 per cent. of the total paid-up equity share capital of the Company, Party A and Party B shall be entitled to appoint three (3) directors and one (1) director respectively in the Business Committee; and

(b) owns or controls less than 20 per cent. of the total paid-up equity share capital of the Company, Party A shall be entitled to appoint four (4) directors in the Business Committee and Party B shall not be entitled to appoint any director.

Article 127(16) provides that each Committee of the Board shall have such powers and responsibilities as may be delegated to it by the Board from time to time.

Appointment of alternate Directors

Article 129 provides that the Board of Directors of the Company may appoint an alternate Director to act for a Director (hereinafter called "the Original Director") during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly. An alternative Director appointed under this Article shall not hold office as such for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State. If the term of office of the Original Director is determined before he so returns to the State any provision in the Act or in these Articles for the automatic reappointment of retiring Directors in default of another appointment shall apply to the Original Director and not the alternate Director.

Casual vacancy

Article 130 provides that subject to the provisions of Section 262 and Sub-Section (6) of Section 284 and other applicable provisions (if any) of the Act, any casual vacancy occurring in the office of a Director whose period of office is liable to determination by retirement by rotation may be filled up by the Directors

at a meeting of the Board. Any person so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office, if the vacancy had not occurred.

Appointment of additional Director

Article131 provides that subject to the provisions of Sections 260 and Sub-Section (6) of Section 284 and other applicable provisions (if any) of the Act, the Directors shall have powers at any time and from time to time to appoint a person as an additional Director. The additional Director shall retire from office at the next following Annual General Meeting, but shall be eligible for re-election.

Directors share qualification

Article 132 provides that no share qualification shall be required to be held by any Director and any person whether a member of the Company or not may be appointed and may continue to be Director of the Company.

When office of Director to be vacated

Article 135(1) states –

Subject to the provisions of Sub-Section (2) of Section 283 of the Act the office of a Director shall become vacant if:

(a) He is found to be unsound mind by a court of competent jurisdiction; or
(b) He applies to be adjudicated an insolvent; or
(c) He is adjudged an insolvent; or
(d) He fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government has, by notification in the Official Gazette, removed the disqualification incurred by such failure; or
(e) Any office or place of profit under the Company or any subsidiary thereof is held by him in contravention of Sub-Section (1) of Section 314 of the Act; or
(f) He absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer without obtaining leave of absence from the Board of Directors; or
(g) He become disqualified by an Order of the Court under Section 203 of the Act; or
(h) He is removed in pursuance of Article 152 or Section 284 of Act; or
(i) He (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private Company of which he is a Director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
(j) He acts in contravention of Section 299 of the Act and by virtue of such contravention shall have been deemed to have vacated office; or
(k) He is convicted by a court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months.

Resignations

Article 135(2) provides that subject to the provisions of the Act a Director may resign his office at any time by notice in writing addressed to the Company or to the Board of Directors.

Directors may contract with Company

Article 136(1) provides that subject to the provision of Sub-Clauses (2), (3), (4), (5) and (6) of this Article and the restrictions imposed by Article 142 and, the other Articles hereof and the Act and the observant and fulfillment thereof, no Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such director holding that office, or of the fiduciary relation thereby established, but it is declared that the nature of his interest must be disclosed by him as provided by Sub-Clauses (2), (3) and (4) hereof, except in the case referred to in Sub-Clause (5) hereof.

Disclosure of interest

Article 136(2) provides that every Director who is in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered

into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board of Directors or as provided by Sub-Clause (4) hereof.

Article 136(3) states –

(a) In the case of a proposed contract or arrangement, the disclosure required to be made by a Director under Sub-Clause (2) above, shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not at the date of the meeting concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he becomes so concerned or interested.

(b) In the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

Article 136(4) provides that for the purpose of this Article, a general notice given to the Board of Directors by a Director to the effect that he is a Director or member of specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may alter the date of the notice be entered into with that body corporate or firm shall be deemed to be sufficient disclosure of concern or interest in relation to any contract or arrangements so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for further periods of one financial year at a time by a fresh notice given in the last month of the financial year in which it would otherwise have expired. The general notice aforesaid and any renewal thereof shall be given at a meeting of the Board of Directors or the Director concerned shall take reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

Article 136(5) provides that nothing in the Sub-Clauses (2), (3) and (4) shall apply to any contract or arrangement entered into or to be entered into between the Company and any other company where anyone of the Directors of the Company or two or more of them together holds or hold not more than 2% of the paid-up share capital in the other company.

<u>Interested Directors not to participate or vote in Board's proceedings</u>

Article 136(6) states –

An interested Director shall not take any part in the discussions of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Company, if he is in any way, directly or indirectly, concerned or interested in the contract or arrangements; nor shall his presence count for the purpose of forming a quorum at the time of such discussions or vote; and if he does vote his vote shall be void. Provided that this prohibition shall not apply:

(a) To any contract of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or a surety for the Company;

(b) To any contract or arrangement entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely in his being a Director of such Company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a member holding not more than two percent of the paid-up share capital of such Company; and

(c) In case a notification is issued under Sub-Section (3) of Section 300 of the Act to the extent specified in the notification.

<u>Register of contracts in which Directors are interested</u>

Article 137states –

(1) The Company shall keep one or more registers in which shall be entered separately particulars of all contracts or arrangements to which Section 297 or Section 299 of the Act applies, including the following particulars to the extent they are applicable in each case, namely:

(a) the date of the contract or arrangement;

(b) the names of the parties thereto;

(c) the principle terms and conditions thereof;

(d) in the case of a contract to which Section 297 of the Act applies or in the case of a contract or arrangement to which Sub-Section (2) of Section 299 of the Act applies, the date on which it was placed before the Board; and

(e) the names of the Directors voting for and against the contract or arrangement and the names of those remaining neutral.

(2) Particulars of every such contract or arrangement to which Section 297 of the Act or, as the case may be, Sub-Section (2) of Section 299 of the Act applies, shall be entered in the relevant register aforesaid:
   (a) in the case of a contract or arrangement requiring the Board's approval, within seven days (exclusive of public holidays) of the meeting of the board at which the contract or arrangement is approved;
   (b) in the case of any other contract or arrangement, within seven days of the receipt at the registered office of the Company of the particulars of such other contract or arrangement or within thirty days of the date of such other contract or arrangement, whichever is later,

   and the register shall be placed before the next meeting of the Board and shall then be signed by all the Directors present at the meeting.

(3) The relevant register aforesaid shall also specify, in relation to each Director of the Company, the names of the firms and bodies corporate of which notice has been given by him under Sub-Section (3) of Section 299 of the Act.

(4) Nothing in the foregoing Sub-Clauses (1), (2) and (3) shall apply to any contract or arrangements for the sale, purchase or supply of any goods, materials or services, if the value of such goods and materials or the cost of such services does not exceed one thousand rupees in the aggregate in any year.

Disclosure of holding

Article 140 stipulates that a Director must give a notice in writing to the Company of his holding of shares and debentures of the Company or its subsidiary, together with such particulars as may be necessary to enable the Company to comply with the provisions of Section 307. If such notice by not given at a meeting of the Board, the Director shall take all reasonable steps to secure that it is brought up and read at meeting of the Board next after it is given. The Company shall enter particulars of a Director's holding of shares and debentures as aforesaid in a register kept for that purpose in conformity with Section 307 of the Act.

Retirement by rotation

Article 144 states –

(1) Not less than two-thirds of the total number of Directors of Company shall be persons whose period of office is liable to determination by retirement of Directors by rotation and save as otherwise expressly provided in the Act and these Articles, be appointed by the Company in General Meeting.

(2) The remaining Directors shall be appointed in accordance with the provisions of these Articles.

(3) Subject to the provisions of Section 255 of the Companies Act, 1956, the Board may appoint any person as a non-rotational Director on the Board and the Directors so appointed or designated shall not be required to retire by rotation.

Ascertainment of Directors retiring by rotation

Article 146 provides that subject to the provisions of the Act and the Articles, the Directors to retire by rotation under the foregoing Article at every Annual General Meeting shall be those who have been longest in Office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot subject to the provision of the Act, a retiring Director shall retain office until the dissolution of the meeting at which his re-appointment is decided or his successor is appointed.

Eligibility for re-appointment

Article 147 provides that subject to the provisions of the Act and these Articles, a retiring Director shall be eligible for re-appointment.

Removal of Directors

Article 152 states –

(1) The Company may (subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles) remove any Director before the expiry of this period of office.

(2) Special notice as provided by Article 94 or Section 190 of the Act shall be given of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director (whether or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.

(4) Where notice is given of a resolution to remove a Director under this Article, and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall, unless the representations are received by it too late for it to do so (a) in the notice of the resolution given to members of the Company state the fact of the representations having been made, and (b) send a copy of the representations to every members of the Company, and if a copy of the representations is not sent as aforesaid because they west received too late or because of the Company's default, the Director may (without prejudice to his rights to be heard orally) require that the representations shall be read out at the meeting; Provided that copies of the representations need not be sent or read out at the meeting if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the right conferred by this Sub-Clause are being abused to secure needless publicity for defamatory matter.

(5) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board in pursuance of Article 130 or Section 262 of the Act be filled by the appointment of another Director in his stead by the meeting at which he is removed; Provided special notice of the intended appointment has been given under Sub-Clause (2) hereof. A Director so appointed shall hold office until the date up to which his predecessor would have held office if he had not been removed as aforesaid.

(6) If the vacancy is not filled under Sub-Clause (5) it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable, of Article 130 or Section 262 of the Act, and all the provisions of that Section shall apply accordingly.

(7) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

(8) Nothing contained in this Article shall be taken:

(a) as depriving a person removed thereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as Director; or

(b) as derogating from any power to remove a Director which may exist apart form this Article.

PROCEEDING OF BOARD OF DIRECTORS

Meetings of Directors

Article 154 provides that the Directors may meet together as a Board for the dispatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year and they may adjourn and otherwise regulate their meetings and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that a meeting of the Board which had been called in compliance with the terms herein mentioned could not be held for want a quorum.

When meetings to be convened

Article 155 provides that the managing Director or any Director authorized by the Board or by a Managing Director or the Secretary of the Company may summon a meeting of the Board of Directors at such time and place as they may deem fit. The managing Director or the Secretary shall at the request of any Director summon a meeting of the Board at such time as he deems fit.

Quorum

Article 156 provides that subject to the provisions of Section 287 and other applicable provisions (if any) of the Act and Article 127.11, the quorum for a meeting of the Board of Directors shall be one third of the total strength of the Board of Directors (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher; Provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested and are present at the meeting, not being less than two shall be the quorum during such time. A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.

General powers of the Directors

Article 167 states –

(1) Subject to the provisions of the Act and these Articles the Board of Directors of the Company shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorized to exercise and do; Provided that Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other Act or by the Memorandum or these Articles or otherwise to be exercised or done by the Company in General Meeting. Providing further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Act or in the Memorandum or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in General Meeting.

(2) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulations had not been made.

Certain powers of the Board

Article 170 states –

Without prejudice to the powers conferred by Articles 76 and 167 and so as not in any way to limit or restrict these powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding two Articles and Articles 170.2 and 170.3 it is hereby declared that the Directors shall have the following powers:

(1) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereout under the provisions of Sections 76 and 208 of the Act and Articles 24 and 181.

(2) Subject to the provisions of the Act and these Articles to purchase or otherwise acquire for the Company any shares, securities or other property right or privileges which the Company is authorized to acquire at such price and generally on such terms and conditions as they think fit.

(3) At their discretion and subject to the provisions of the Act, to pay for any property or rights acquired by or services rendered to the Company, either wholly or partially in case, or in shares, bonds, debentures, debenture-stock or other securities of the Company, and any such shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon; and any such bonds debentures, debentures-stock or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

(4) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they think proper all or any part of the buildings, machinery and goods, stores, produce and other movable property of the Company either separately or on jointly; also to insure all or any portion of the goods produce machinery and other Articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.

(5) To open accounts with any bank or bankers or with any Company firm or individual and to pay money into and draw money from any such account from time to time as the Directors may think fit.

(6) To secure the fulfillment of any contracts or engagements entered into by the Company mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being or in such other manner as they think fit.

(7) To attach to any shares to be issued as the consideration or part of the consideration for any contract with or property acquired by the Company or in payment for services rendered to the Company, such conditions as to the transfer thereof as they think fit.

(8) To accept from any member on such terms and conditions as shall be agreed a surrender of his shares or stock, or any part thereof, so far as may be permissible by law.

(9) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company and property belonging to the Company or in which it is interested, or for any other purposes and to execute and do all such deeds and things as may be requisite in relation to any such trust, and to provide for the remuneration of such trustee or trustees.

(10) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due or of any claims or demands by or against the Company.

(11) To refer any claim or demand by or against the Company or any differences to arbitration and observe and perform any awards made thereon.

(12) To act on behalf of the Company in all matters relating to bankrupts and insolvents.

(13) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.

(14) To determine from time to time who shall be entitled to sign on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purposes.

(15) Subject to the provisions of the Act and these Articles to invest and deal with any moneys of the Company not immediately required for the purposes thereof; upon such security (not being shares of this Company), or without security and in such manner as they may think fit, and from time to time to vary or realize such investments, provided that save as permitted by Section 49 of the Act, all investment shall be made and held in the Company's name.

(16) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or as surety for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit, covenants, provisions and agreement as shall be agreed on.

(17) To give to any Director, officer or other person employed by the Company an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the Company, and such interest, commission or share of profits shall be treated as a part of the working expenses of the Company.

(18) (a) To appoint for the welfare of Directors, Ex-Directors, employees or ex-employees of the Company or its predecessors in business and the wives, widows and families or its predecessors in business and the wives, and families or the dependents or connections of such persons by building or contributing to the building of houses dwellings or quarters or buy grants of money, pensions, gratuities, allowances, bonuses, profit sharing bonuses or benefits or any other payments or by creating and from time to time subscribing or contributing to provident and other associations, institutions, funds, profits sharing or other schemes or trusts and by providing or subscribing or contributing towards places of instructions and recreations, hospitals and dispensaries, medical and other attendances and any other form of assistance welfare or relief as the Directors shall think fit.

(b) To subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent religious, scientific, national, public, or any other institutions, objects or purposes, or for any exhibition.

(19) Before recommending any dividend to set aside out of the profits of the Company such sums as they may think proper for depreciation, or to a Depreciation Fund, General Reserve, a Reserve Fund, Sinking Fund, Insurance Fund or any special or other fund or funds or account or accounts to meet contingencies, or to repay Redeemable Preference Shares, debentures or debenture stock and for special dividends, and for equalizing dividends, and for repairing, improving, extending and maintaining any part of the property of the Company, and/or for such other purposes, (including the purposes referred to in the last two preceding Sub-Clauses) as the Directors may in their absolute discretion think conducive to the interests of the Company, and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by the Act) as the Directors may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purpose as the Director (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the Company notwithstanding that the matters to which the Directors apply or upon which they extend the same or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve, General Reserve, or the Reserve Fund into such special funds as the Directors may think fit, and to employ the assets constituting all or any of the above funds or accounts, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Redeemable Preference Shares, debentures or debenture-stock and that without being bound to keep the same separate from the other assets, and without being bound to pay or allow to the credit of such fund interest at such rate as the Directors may think proper.

(20) To appoint and at their discretion remove or suspend such managers, secretaries, officers, clerks agents and employees for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties, and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit. And also without prejudice as aforesaid, from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India in such manner as they think fit and the provisions contained in Sub-Clauses 22, 23, 24 and 25 following shall be without prejudice to the general powers conferred by this Sub-Clause.

(21) To comply with the requirements of any local law, which in their opinion it shall in the interests of the Company be necessary or expedient to comply with.

(22) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such Local Boards, or any managers, or agents, and to fix their remuneration.

(23) Subject to the provisions of Section 292 of the Act and Article 169 from time to time, and at any time to delegate to any such Local Board, or any member or members thereof or any managers or agents so appointed any of the powers, authorities and discretions for the time being vested in the Board of Directors, and to authorities the Members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies; and any such appointment or delegation under Sub-Clause 22 of this Article may be made on such terms, and subject to such conditions as the Board of Directors may think fit, and the Board of Directors may at any time remove any person so appointed, and may annul or vary any such delegation.

(24) At any time from time to time by Power of Attorney to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board of Directors under these presents and excluding the powers which may be exercised only by the Board of Directors under the Act or these Articles) and for such period and subject to such conditions as the Board of Directors may from time to time think fit; and any such appointment may (if the Board of Directors think fit) be made in favour of the members or any of the Members of any Local Board, established as aforesaid or in favour of any Company, or the members, Directors, nominees of managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board of Directors any such powers of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board of Directors may think fit and may contain powers enabling any such delegated of Attorneys as aforesaid to sub-delegate all or any or the powers, authorities and discretions for the time being vested in them.

(25) Generally subject to the provisions of the Act and these Articles to delegate the powers, authorities and discretions vested in the Directors to any person, firm, company or fluctuating body of persons as aforesaid.

(26) Subject to the provisions of the Act and these Articles for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company, to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.

Reserved Matters

Article 170(3) states –

If such action or decision has been authorised by the Board in accordance with Article 170.2 and such action or decision is also required to be approved in a General Meeting of the shareholders, TI and DBS shall, and shall procure that the members of their respective Group shall, use their respective votes in the Company to ensure that such action or decision is also approved by the General Meeting of the shareholders.

(a) *Memorandum and Articles of Association*: altering the Memorandum and/or Articles of Association or other constitutional documents of the Company;

(b) *Changes in share capital*:changing the authorised or issued share capital of the Company, including, but not limited to, any issue of warrants or equity-linked securities, either as a public offering or on a preferential or private placement basis, and any offering of Shares;

(c) *Change in nature of business*: materially changing the nature or scope of the Business;

(d) *Business Plan*: adopting or amending the Business Plan;

(e) *Acquisitions and disposals*: the Company acquiring or disposing of (whether in a single transaction or series of transactions) any business (or any material part of any business);

(f) *Subsidiaries, partnerships and joint ventures*: the establishment, organisation and exercise of voting rights as a shareholder by the Company of or in relation to any subsidiary or participation by the Company in any material partnership, joint venture, profit-sharing agreement, technology licence or collaboration;

(g) *Winding up*: any proposal to wind up the Company or other voluntary proceeding seeking liquidation, reorganisation, readjustment or other relief under any bankruptcy, insolvency or similar law or the consent by the Company to a decree or order for relief or any filing of a petition under such law or to the appointment of a trustee, receiver or liquidator or any other voluntary action by the Company in furtherance of its bankruptcy, reorganisation, liquidation, dissolution or termination of its corporate status;

(h) *Committees*: the composition of committees responsible for considering and implementing such matters as may be delegated to them by the Board.

REGISTERS, BOOKS AND DOCUMENTS

Registers, Books and Documents

Article 177 states –

(1) The Company shall maintain Registers, Books and Documents as required by the Act or these Articles including the following, namely:
   (a) Register of investments kept in Company's name according to Section 49 of the Act.
   (b) Register of Mortgages, Debentures and Charges according to Section 143 of the Act.
   (c) Register of Members and an index of Members according to Sections 150 and 151 of the Act.
   (b) Register and index of Debenture-holders according to Section 152 of the Act.
   (c) Register of contracts, Companies and Firms in which Directors are interested according to Section 301 of the Act
   (d) Register of Directors and Managing Directors, according to Section 303 of the Act.
   (g) Register of Directors' Shareholding and Debenture holding according to Section 307 of the Act.
   (h) Register of investments in Shares or Debentures of Bodies corporate according to Section 372 of the Act.
   (i) Books of Accounts in accordance with the provisions of Section 209 of the Act.
   (j) Copies of instruments creating any charge requiring registration according to Section 136 of the Act.
   (k) Copies of Annual Returns prepared under Section 159 of the Act together with the copied of certificates required under Section 161.
   (l) Register of Renewed and Duplicate Certificates according to Rule 7(2) of the Companies (Issue of Share Certificates) Rules, 1960.

(2) The said Registers, Books and Documents shall be maintained in conformity with the applicable provisions of the Act and shall be kept open for inspection by such persons as may be entitled thereto respectively under the Act, on such days and during such business hours as may, in that behalf be determined in accordance with the provisions of the Act, or these Articles and extracts shall be supplied to the persons entitled thereto in accordance with the provisions of the Act of these Articles.

(3) The Company may keep a Foreign Register of Members in accordance with Section 157 and 158 of the Act. Subject to the provisions of Section 157 and 158 the Directors may from time to time make such provisions as they may think fit in respect of the keeping of such Branch Register of Members and/or Debenture-holders.

DIVIDENDS

Division of profits

Article 182 provides that the profits of the Company subject to any special rights relating thereto created or authorized to be created by the Memorandum or these Articles and subject to the provisions of these Articles shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively. Provided always that (subject as aforesaid) any Capital paid-up on a share during the period in respect of which a dividend is declared shall unless the Directors otherwise determine only entitle the holder of such share to an apportioned amount of such dividend as from the date of such payment.

The Company in General Meeting may declare a dividend

Article 185 provides that the Company in General Meeting may subject to Section 205 of the Act declare a dividend to be paid to the members according to their respective rights and interests in the profits and subject to the provisions of the Act may fix the time for payment. When a dividend has been so declared, the warrant in respect thereof shall be posted within forty-two days from the date of the declaration to the shareholder entitled to the payment of the same.

Power of Directors to limit dividend

Article 186 provides that no larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits or otherwise than in accordance with the provisions

of Section 205, 206 and 207 of the Act and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Interim Dividend

Article 187 provides that subject to the provisions of the Act, the Directors may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

No member to receive dividend whilst indebted to the Company and Company's right re-imbursement thereon

Article 189 provides that subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons; and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

Transfers of shares must be registered

Article 190 states that a transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer.

Dividends, how remitted

Article 191 provides that unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled, or in case of joint holders to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

CAPITALISATION OF PROFITS

Capitalisation of profits

Article 194 states –

(1) The Company in General Meeting, may on the recommendation of the Board resolve:
   (a) that the whole or any part of any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits including profits or surplus moneys arising from the realization and (where permitted by law) from the appreciation in value of any capital assets of the Company standing to the credit of the General Reserve, Reserve or any Reserve Fund or any amounts standing to the credit of the Profit and Loss Account or any other fund of the Company or in the hands of the Company and available for the distribution as divided capitalised; and
   (b) that such sum be accordingly set free for distribution in the manner specified in Sub-Clause (2) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in Sub-Clause (3) either/in/or towards:
   (a) paying up any amounts for the time being unpaid on any shares held by such members respectively;
   (b) paying up in full unissued shares of the Company to be allotted and distributed and credited as fully paid-up to and amongst such members in the proportions aforesaid; or
   (c) partly in the way specified in Sub-Clause (a) and partly in that specified in Sub-Clause (b).

(3) A Share Premium account and a capital redemption reserve account may for the purpose of this regulation be applied only in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

(4) The Board shall give effect to resolutions passed by the Company in pursuance of this Article.

Powers of Directors for declaration of Bonus

Article 195 states –

(1) Whenever such a resolution as aforesaid shall have been passed, the Board shall:

(a) Make all appropriation and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid shares if any; and
(b) Generally do all acts and things required to give effect thereto.

(2) The Board shall have full power:
(a) To make such provisions by the issue of fractional certificates or by payments in cash or otherwise as it thinks fit in the case of shares becoming distributable in fractions; and
(b) To authorize any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively credited as fully paid-up of any further shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment by the Company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on the existing shares.

(3) Any agreement made under such authority shall be effective and binding on all such members.

ACCOUNTS

Books of account to be kept

Article 196 states –

(1) The Company shall keep at its Registered Office proper books of account with respect to:
(a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place;
(b) all sales and purchases of goods by the Company; and
(c) the assets and liabilities of the Company.

Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decides, the Company shall, within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other place.

(2) If the Company shall have a branch office whether in or outside India, proper books of account relating to the transactions effected at that office shall be kept at that office and proper summarized returns, made up to dates at intervals of not more than three months, shall be sent by the branch office to the Company at its registered office or other place in India, as the Board thinks fit, where the main books of the Company are kept.

(3) All the aforesaid books shall give a fair and true view of the affairs of the Company or of its branch office, as the case may be with respect to the matters aforesaid, and explain its transactions.

(4) The books of account and other books and papers shall be open to inspection by any Director during business hours.

(5) The Books of account of the Company relating to a period of not less than eight years immediately preceding the current year together with the vouchers relevant to any entry in such books of account shall be preserved in good order.

Inspection by members of accounts and books of the Company

Article 197 provides that the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the account and books of the Company or any of them shall be open to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account of book or document of the Company except as conferred by law or authorized by the Directors or by the Company in General Meeting.

Statement of Accounts to be furnished to General Meeting

Article 198 provides that the Board of Directors shall lay before each Annual General Meeting a Profit and Loss Account for the financial year of the Company and a Balance sheet made up as the end of the financial year which shall be a date which shall not precede the day of the meeting by more than six months or where an extension of time has been granted by the Registrar under the provisions of the Act, by more than six months and the extension so granted.

DOCUMENTS AND SERVICE OF DOCUMENTS

How documents are to be served on members

Article 211 states that –

(1) A document (which expression for this purpose shall be deemed to include and shall include any summons, notice, requisition, process, order, judgement or any other document in relation to or in the

winding up of the Company) may be served or send by the Company or to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address if any within India supplied by him to the Company for the giving of notice to him.

(2) Where a document is sent by post:
   (a) Service thereof shall be deemed to be effected by property addressing, prepaying and posting and posting a letter containing the notice, provided that where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting of by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member; and
   (b) Such service shall be deemed to have been effected:
      (i) in the case of a notice of meeting, at the expiration of forty- eight hours after the letter containing the notice is posted; and
      (ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

Service on members having no registered address

Article 212 provides that if a member has no registered address in India and has not supplied to the Company an address within India for the giving of notice to him, a document advertised in a newspaper circulating in the neighbourhood of the registered office of the Company shall be deemed to be duly served on him on the day on which the advertisement appears.

Persons entitled to notice of General Meetings

Article 214 states –

Subject to the provisions of the Act and these Articles notice of General Meetings shall be given:

(a) To members of the Company as provided by Article 91 in any manner authorised by Articles 211 or 212 as the case may be or as authorised by the Act;
(b) To the person entitled to a share in consequence of the death or insolvency of a member as provided by Article 213 or as authorised by the Act;
(c) To the Auditor or Auditors for the time being of the Company, in any manner authorised by Article 211 or the Act in the case of any member of members of the Company.

WINDING UP

Distribution of assets

Article 220 provides that in the event that the Company is wound up and the assets available for distribution amongst the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be, then the losses shall be borne by the members in proportion to the capital paid- up, or which ought to have been paid-up at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital of the commencement of the winding up paid-up or which ought to have been paid-up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Distribution in Specie or kind

Article 221 states –

(1) If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may with the sanction of a Special Resolution, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories, or any of them, as the liquidators, with the like sanction shall think fit.
(2) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special right or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced

thereby shall have a right to dissent and ancillary rights as if such determination where a Special Resolution passed pursuant to Section 494 of the Act.

(3) In case any shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten days after the passing of the Special Resolutions by notice in writing direct the Liquidators to sell his proportion and pay him the net proceeds and the liquidators shall if practicable act accordingly.

Right of shareholders in case of sale

Article 222 provides that a special resolution sanctioning a sale to any other company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any shares or other consideration receivable by the Liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential right conferred by the said Section.

SECTION XI: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

Mentioned below are the contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Letter of Offer), which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at C/o. Cholamandalam DBS Finance Limited, 'Dare House' No. 2, N.S.C Bose Road, Parrys, Chennai – 600 001, from 10 a.m. to 4 p.m. from the date of this Letter of Offer until the date of closure of the Subscription List.

MATERIAL CONTRACTS

1. Engagement Letter dated March 26, 2007 between the Company and Enam Securities Private Limited
2. Memorandum of Understanding between the Company and Enam Securities Private Limited dated July 21, 2007.
3. Memorandum of Understanding between the Company and KARVY Computershare Private Limited dated July 13, 2007.

DOCUMENTS

1. Memorandum of Association and Articles of Association of the Company.
2. Certificate of incorporation of the Company.
3. Certificate from RBI to operate as a NBFC.
4. Shareholders resolution passed at the Annual General Meeting held on Jul 21, 2006 appointing M/s. Deloitte Haskins & Sells; Chartered Accountants, as the statutory auditors for the financial year 2006-2007
5. Copy of the Board and shareholders resolutions relating to this Issue.
6. Consents of the Directors, Auditors, and Lead Manager to the Issue, Legal Counsel to the Issue, Bankers to the Company, Compliance Officer and the Registrar to the Issue to include their names in this Letter of Offer to act in their respective capacities.
7. Letter dated July 19, 2007 from Deloitte Haskins & Sells confirming the Tax Benefits as mentioned in this Letter of Offer.
8. Annual Reports of the Company for the last 5 years.
9. The Report of the Auditors, Deloitte Haskins & Sells as set out herein dated July 19, 2007 in relation to the financials of the Company for the last five financial years.
10. Shareholders Agreement entered into between Tube Investments of India Limited and DBS Bank and Cholamandalam Investment and Finance Company.
11. Shareholders resolution dated July 21, 2006 appointing and approving the terms of appointment of Mr. Atul Pande, Managing Director
12. Due diligence certificate dated July 23, 2007 from Enam Securities Private Limited.
13. Application made for the 'in-principle' listing approval dated July 25, 2007 to the BSE, NSE and and dated July 27, 2007 to MSE
14. 'In-principle' listing approval dated August 8, 2007, August 9, 2007 and August 13, 2007 received from BSE, NSE and MSE respectively.
15. Observation Letter No. CFD/DEL/ISSUES/SM/102774/2007 dated August 31, 2007 issued by SEBI for the Issue
16. Tripartite agreement dated November 26, 1997 between the Company, Karvy and NSDL
17. Tripartite agreement dated Januray 28, 2000 between the Company, Karvy and CDSL
18. Letter dated July 19, 2007 filed with RBI intimating the issue of rights shares with detachable warrants and seeking its approval for OCB to subscribe in the Issue.

DECLARATION

No statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

SIGNED BY ALL THE DIRECTORS OF THE COMPANY

A. Vellayan *Chairman*	**V.P Mahendra**	**R.V Kanoria**
Indresh Narain	**R. Krishnamurthy**	**N. Srinivasan**
M. Anandan	**Rajan Raju**	**Pranam Wahi**
Edmund Koh Kian Chew	**Atul Pande** *Managing Director*	

D. Arulselvan
Vice President- Finance

Atul Pande
Managing Director

Place: Chennai

Date: September 15, 2007