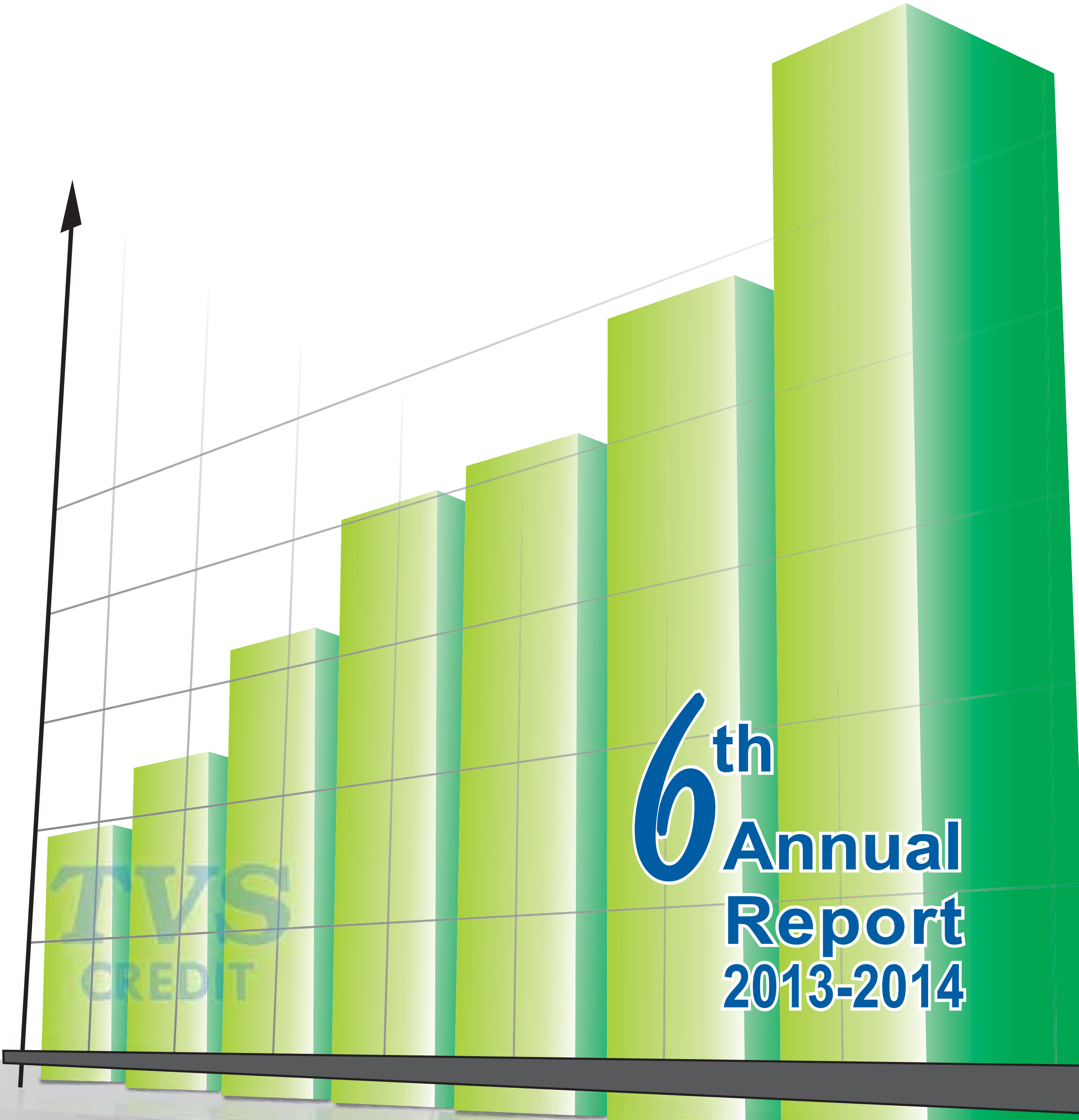
TVS CREDIT SERVICES LIMITED



6th Annual Report 2013-2014


RTR

Board of Directors

Venu Srinivasan
Chairman

Anupam Thareja, Whole Time Director

T.K. Balaji
R. Ramakrishnan
Sudarshan Venu
S. Santhanakrishnan
P. Sivaram
K.N. Radhakrishnan
V. Srinivasa Rangan

Audit Committee

S. Santhanakrishnan
R. Ramakrishnan
K.N. Radhakrishnan
V. Srinivasa Rangan

Nomination and Remuneration Committee

S. Santhanakrishnan
R. Ramakrishnan
K.N. Radhakrishnan

Risk Management Committee

Anupam Thareja
S. Santhanakrishnan
R. Ramakrishnan

Asset Liability Committee

Anupam Theraja
R. Ramakrishnan
S. Santhanakrishnan
Sudarshan Venu
G. Venkatraman
V. Gopalakrishnan
M. Kalyanaraman

Chief Executive Officer

G. Venkatraman

Company Secretary

K. Sridhar

Registered Office

"Jayalakshmi Estates"
29, Haddows Road,
Chennai 600 006
Phone : 91-44-28286500
Fax No : 91-44-28286570

Auditors

M/s. V. Sankar Aiyar & Co.
Chartered Accountants
Mumbai.

Website

www.tvscredit.co.in

Bankers

State Bank of India

Bank of Baroda

State Bank of Mysore

Central Bank of India

UCO Bank

South Indian Bank Limited

Corporation Bank

Indian Bank

Oriental Bank of Commerce

Punjab & Sind Bank

IndusInd Bank Limited

Canara Bank

Syndicate Bank

IDBI Bank Limited

Karnataka Bank Limited

DCB Bank Limited

ICICI Bank Limited

Financial Institution

Housing Development Finance
Corporation Limited

Contents | ***Page No.***

Notice to the Shareholders

NOTICE is hereby given that the sixth annual general meeting of the shareholders of the Company will be held at the Registered Office of the Company at No.29, Haddows Road, Chennai 600 006 on Monday, the 14th July 2014 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

(1) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT the audited balance sheet as at 31st March 2014, the statement of profit and loss and cash flow statement for the year ended on that date, together with directors' report and auditors' report thereon as presented to the meeting, be and are hereby approved."

(2) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr P Sivaram (holding DIN: 00002010), director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a director of the Company".

(3) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr T K Balaji (holding DIN: 00066864), director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a director of the Company".

(4) To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT the retiring auditors, M/s. V Sankar Aiyar & Co., Chartered Accountants, Mumbai, having Firm Registration No. 109208W allotted by the Institute of Chartered Accountants of India, be and are hereby appointed as statutory auditors of the Company to hold office, for the second term of five consecutive years to hold office from the conclusion of this annual general meeting, subject to ratification by the members at every annual general meeting, on such remuneration, as may be fixed in this behalf, by the board of directors of the Company."

SPECIAL BUSINESS

(5) To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT, subject to the provisions of Sections 149, 150, 152, 160 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr R Ramakrishnan (holding DIN 00809342), be and is hereby appointed as a non-executive and independent director of the Company, to hold office for a term of five consecutive years from the conclusion of this annual general meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and profit related commission, if any, in terms of applicable provisions of the Companies Act, 2013 as determined by the board from time to time ."

(6) To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT, subject to the provisions of Sections 149, 150, 152, 160 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr S Santhanakrishnan (holding DIN 00005069), be and is hereby appointed as a non-executive and independent director of the

Company, to hold office for a term of five consecutive years from the conclusion of this annual general meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and profit related commission, if any, in terms of applicable provisions of the Companies Act, 2013 as determined by the board from time to time ."

(7) To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT, subject to the provisions of Sections 149, 150, 152, 160 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr V Srinivasa Rangan (holding DIN 00030248), be and is hereby appointed as a non-executive and independent director of the Company, to hold office for a term of five consecutive years from the conclusion of this annual general meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and profit related commission, if any, in terms of applicable provisions of the Companies Act, 2013 as determined by the board from time to time ."

(8) To consider and if thought fit to pass with or without modification the following resolution as a special resolution.

RESOLVED THAT, in supersession of the ordinary resolution passed by the shareholders at the Annual General Meeting on 18th July 2012, consent of the members of the Company be and is hereby accorded to the board of directors (hereinafter referred to as the "board") under Sections 180(1)(c), 180(2) and all other applicable provisions if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for the time being in force) and the Articles of Association of the Company, for borrowing, from time to time, as it may consider fit, any sum or sums of monies from any entity / person, whether or not the moneys so borrowed together with the moneys already borrowed by the Company and remaining outstanding at any one time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves that are not set apart for any specific purpose provided that the total amount so borrowed and outstanding at any one time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business)shall not exceed Rs. 2,000 Cr and that the Board be and is hereby empowered and authorized to arrange and fix the terms and conditions of all such moneys to be borrowed, from time to time, as to interest, repayment, security or otherwise as it may think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or a duly constituted committee thereof, be and is hereby authorized to finalize, settle and execute such documents/ deeds/ writings/ papers/ agreements, in connection with such borrowings as may be required and to do all such other acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.

(9) To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:

RESOLVED THAT in supersession of the ordinary resolution passed by the shareholders at the Annual General Meeting held on 18th July 2012, consent of the members of the Company, be and is hereby accorded to the board of directors (hereinafter referred to as the "board") under Section 180(1)(a) and all other applicable provisions if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof, for the time being in force) and the Articles of Association of the Company, to mortgage and/or charge, in addition to the mortgages / charges created / to be created by the Company in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the moveable / immoveable properties of the Company, both present and future and/or whole or any part of undertaking(s) of the Company in favour of the Lender(s), Agent(s) and Trustee(s), for securing the borrowings of the Company availed / to be availed by way of loan(s) in Indian or foreign currency and securities (comprising fully / partly Convertible Debentures and/or Non-Convertible Debentures, on all or any of the above, with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes / bonds or other debt instruments) issued / to be issued by the Company, from time to time, subject to such permissible limits approved under Section 180(1)(c) of the Companies Act, 2013, together with interest and all other monies payable by the Company in terms of the Loan Agreement(s) / Trust Deed(s) or any other document, entered into / to be entered into between the Company and the Lender(s) / Agent(s) / Trustee(s), in respect of the said loans / borrowings / debentures / bonds or other securities and such terms and conditions in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Lender(s) / Agent(s) / Trustee(s)."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board / Committee of the Board be and are hereby authorized to finalize, settle and execute such documents / deeds / writings / papers / agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulties or doubts that may arise with regard to creating mortgages / charges against such borrowings as aforesaid."

BY ORDER OF THE BOARD

Chennai — Anupam Thareja
June 12, 2014 — Whole Time Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the Proxy or Proxies so appointed need not be a member or members, as the case may be, of the Company. The instrument appointing the Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority shall be registered office of the Company, not later than 48 hours before the time fixed for holding the meeting. A person shall not act as a Proxy for more than 50 members and holding in aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a Proxy for a member holding more than ten percent of the total voting share capital of the Company provided that such person shall not act as a Proxy for any other person.

2. The explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of the special businesses as set out in the Notice is annexed hereto.

Encl: Proxy form

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 12th June 2014 and shall be taken as forming part of the notice.

Item No. 5 to 7

Members may be aware that Ministry of Corporate Affairs (MCA) notified majority sections of the Companies Act, 2013 (the Act 2013) along with corresponding Rules.

Out of these notified sections, 98 sections of the Act 2013 were made operative effective 12th September 2013, while 184 sections came into effect from 1st April 2014, replacing the corresponding provisions of the Companies Act, 1956.

The new Act 2013, *inter alia,* prescribed certain specific procedures for selection, appointment and remuneration of independent directors (IDs), besides their term can be for a period of consecutive five years and are not liable to retire by rotation.

Accordingly, all the following persons, appointed earlier, are proposed to be appointed for a term of five consecutive years in compliance with the provisions of the Act.

Item No.	Name of the directors (M/s.)	Earlier appointment
5.	R Ramakrishnan, Non-Executive and Independent Director	Co-opted as a director of the Company on 3rd May 2010. He is a member of the Audit Committee, Nomination and Remuneration Committee, Asset Liability Management Committee (ALCO) and Risk Management Committee of the Board of Directors of the Company.
6.	S Santhanakrishnan Non-Executive and Independent Director	Co-opted as a director of the Company effective 17th February 2010. He is a member of the Audit Committee, Nomination and Remuneration Committee, ALCO, Risk Management Committee and Corporate Social Responsibility Committee of the Board of Directors of the Company.
7.	V Srinivasa Rangan, Non-Executive and Independent Director	Co-opted as a director of the Company effective 26th September 2011 as nominee of HDFC Limited and ceased to be the nominee effective 18th March 2014, subject to the terms and conditions of the Articles of Association of the Company; Subsequently, Mr Rangan was appointed by the board effective 18th March 2014, as an additional and independent director, to hold office upto the date of the ensuing annual general meeting. He is a member of the Audit Committee of the Board of directors of the Company.

All the aforesaid individuals satisfy the criteria and other attributes for appointment of IDs and, being eligible offer themselves for appointment, for a term of five consecutive years from the conclusion of the ensuing annual general meeting.

Both the Nomination and Remuneration Committee of directors and the board, considered after evaluation of their performance and other attributes, that their continued association would be of immense benefit to the Company and desirable to avail their services as IDs.

All these directors fulfill the terms and conditions specified under the Act and rules made thereunder for their appointment as IDs by the shareholders and are independent of the management.

Accordingly, the Board recommends the resolutions, as set out in item Nos.5 to 7, in relation to appointment of M/s. R Ramakrishnan, S Santhanakrishnan and V Srinivasa Rangan, as IDs for approval by the shareholders of the Company.

Except the above directors, being appointees, none of the other directors or key managerial personnel of the Company or their relatives is concerned or interested, financially or otherwise, in their respective resolutions for appointment as set out in Item Nos. 5 to 7.

Notices have been received from a member of the Company under Section 160 of the Act 2013, along with requisite deposit amount signifying the intention to propose the candidatures of the aforesaid IDs and to move the resolutions set out in Item Nos.5 to 7 of this Notice.

The directors, therefore, recommend the resolutions, as set out item Nos.7 to 9 in the Notice to be approved, by way of ordinary resolutions, by the Shareholders.

Item No. 8 & 9

The shareholders of the Company, at the Annual General Meeting held on 12th July 2012, approved, by way of ordinary resolution, a limit for exercising the powers of borrowing, by the board of directors (the board), for the business purpose of the Company, upto a sum not exceeding Rs. 1,500 Cr. at any one time, in terms of Section 293(1)(d) of the Companies Act, 1956 (the Act 1956), notwithstanding that the money to be borrowed together with the monies already borrowed by the Company may exceed the aggregate of its paid up share capital and free reserves apart from temporary loans obtained from the Company's Bankers in the ordinary course of business.

However, after the applicability of the provisions of new Section 180(1)(c) of the Companies Act, 2013 (the Act 2013) (corresponding to Section 293(1)(d) of the Act 1956), the Company is required to pass a special resolution for the aforesaid purpose.

Ministry of Corporate Affairs (MCA) also clarified, vide its General Circular No.4/2014 dated 25th March 2014 about the need to pass a special resolution within a period of one year from the date of notification of the said Section 180 of the Act, 2013, even though the Company has passed an ordinary resolution, as per the requirements of earlier provisions of the Act 1956.

Considering the future plans and the proposed expansion of activities of the Company, the directors have also considered it desirable to enhance the borrowing powers from Rs.1,500 Cr to Rs.2,000 Cr, subject to the approval of the shareholders in the ensuing annual general meeting.

Similarly, the board was also authorized to create mortgages and/or charges in such a manner, as the board may think fit, to secure such borrowings in terms of Section 293(1)(a) of the Act 1956 as may be insisted upon the lenders.

However, in terms of section 180(1)(a) of the Act 2013, such powers of creating such mortgages and/ or charges upon specific approval from members by way of a special resolution , as per the provisions of section 180(1)(a) of the Act 2013.

The board of directors therefore recommend the special resolutions as set out in Item Nos. 8 and 9 of the accompanying Notice for approval by the shareholders of the Company.

None of the directors or key managerial personnel or their relatives is interested or concerned financially or otherwise, in the resolution.

Inspection of documents:

All documents referred to in the accompanying Notice and the Explanatory Statement will be open for inspection at the Registered Office of the Company during 10.00 am to 12.00 noon on all working days up to and including the date of the AGM.

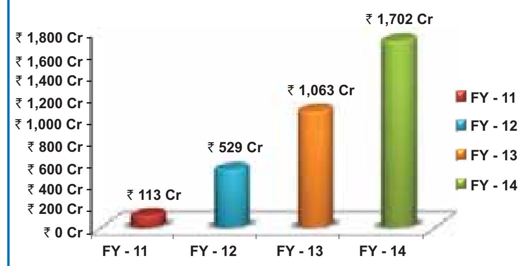
BY ORDER OF THE BOARD

Chennai
June 12, 2014

Anupam Thareja
Whole Time Director

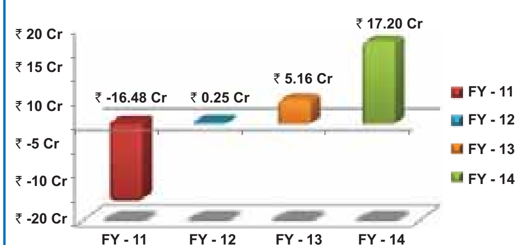
Disbursal Value

Book Size Growth



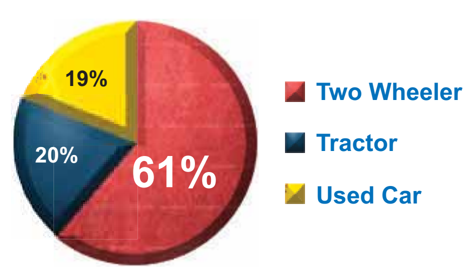
Income Growth

PAT Growth



Net Worth

Portfolio Mix



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors have pleasure in presenting the Sixth Annual Report on the business and operations of the Company together with the audited accounts for the year ended March 31, 2014.

1. BUSINESS AND FINANCIAL PERFORMANCE

The highlights of the financial performance of the Company are given below:

(Rs. in lakhs)

Particulars	Year ended 31-03-2014	Year ended 31-03-2013
Revenue from Operations	39,973.25	24,207.61
Other Income	68.17	352.41
Total	**40,041.42**	**24,560.02**
Finance Costs	15,427.70	9,252.39
Business Origination, administrative & Other Expenses	20,682.73	13,959.45
Depreciation and amortization expenses	586.99	337.42
Bad debts written off	739.63	-
Provision for bad & doubtful debts	792.38	509. 54
Total	**38,229.43**	**24,058.80**
Profit / (Loss) before tax	**1,811.99**	**501.22**
Less: Tax expense		
- Current Tax	893.73	17.05
- Deferred Tax	(801.38)	(31.72)
Profit / (Loss) after tax	**1,719.64**	**515.89**
Balance brought forward from previous year	(1,104.47)	(1,620.36)
Surplus / (Deficit) carried to Balance sheet	**615.17**	**(1,104.47)**

The Company's overall disbursements registered a growth of 49 per cent at Rs. 1,546 Cr as compared to Rs.1,041 Cr in the previous year.

The Company maintained its position as the largest two wheeler lender in the country for TVS Motor Company Limited (TVSM) with 55% retail finance market share. During the year, the Company financed around 3 lakh two wheeler customers of TVSM as against 2.87 lakhs in the previous year.

The Company has also emerged as the second largest tractor financier for Tractors and Farm Equipment Limited (TAFE) in the geographies represented.

The Company financed 9,685 tractors during the year as against 2,008 in the previous year. Further, the Company is rapidly gaining market share in used car segment.

The Company financed 7,380 used cars during the year as against 2,108 used cars in the previous year.

The Company has cumulatively financed over half a million customers since its inception. During the year under review, the assets under management stood at Rs.1,702 Cr as against Rs.1,063 Cr during the previous year.

The Company continues to invest substantially in technology, both for sourcing and recovery, which maintained the overall productivity and collection efficiency at higher levels. The Company's portfolio quality continues to perform well with cumulative collection efficiency of more than 98% and overdue to book at less than 1.20%.

Key initiatives during the financial year

During the year, the Company -

– worked closely with two wheeler OEMs to design and deliver location specific schemes, suitable for the target customer profile;

– expanded the used car financing foot-print to cover more locations and channel partners;

– focussed on dealer service to achieve market-share in the tractor business;

– stabilized IT network and systems by reducing redundancies;

– increased the training man-days by making operational a formal training structure and calendar; and

– initiated dialogues with other financial institutions for potential alliances and partnerships.

Total income during the financial year 2014 increased to Rs.400.41 Cr from Rs.245.60 Cr during the financial year 2013, an increase of 63 % over the previous year.The profit before tax for the year has also improved considerably and stood at Rs.18.12 Cr as against Rs.5.01 Cr during the previous year.

The Company continued to strengthen its provisioning standards beyond the requirement under the regulations of Reserve Bank of India (RBI) by accelerating the provisioning to an early stage of delinquency. During the year under review, it further strengthened provisioning and took an accelerated provisioning impact of Rs.3.10 Cr.

Industry and Economic Scenario

The Indian Economy started on a grim note with the country registering a decade low economic growth rate of 5% in 2013, as compared to 6.2 % recorded in 2012. In 2014, the economy recovered and registered a growth rate of 5.4% in the midst of inflation pressure, currency depreciation and uncertainty around the upcoming general elections.

Easing inflation, fiscal consolidation, improvement in CAD and a host of measures announced to support the currency and boost investment inflow have helped improve FII inflow to some extent which helped the economy to stall. However, they are insufficient to place the economy back on a high growth trajectory of more than 8 %. A slow recovery, along with the lack of change in credit ratings, despite the announcement of a slew of reforms in the previous year, drove the Government to take further actions.

Some policy announcements pertaining to the curb on gold imports, quick clearance of investment proposals, relaxed ECB norms and relaxation in the FDI limits have yielded some positive results. Thus, RBI has been focusing its attention on taming inflation and has proposed adopting CPI as a measure of inflation and gradually reducing it to less than 6 per cent by January 2016.

In light of the current economic scenario characterised by poor industrial performance, IMF downward revision of global growth forecasts, volatile currency and a backlog of stalled projects, several agencies have made a downward revision of their growth projections.

Against this backdrop, the Indian economy is expected to recover moderately in 2014-15 with support from rural demand, a pickup in exports and some turnaround in investment demand. The growth in 2014-15 is likely to be in the range of 5 % to 6 %. Despite moderation in 2013-14 and some further softening expected in near term, inflation risks have to be watched carefully in the next fiscal year. With the global economy stabilising with better growth rates in 2014, business confidence has started to rebuild paving the way for economy growth.

The financial year 2013-14 has been extremely challenging for the automobile sector as the general economic and consumer sentiments have failed to pick up from last year.There was a positive volume growth for domestic two-wheeler industry, unlike various other automobile segments. Domestic two-wheeler volumes grew by 7.3% YoY in FY 2013-14 riding mainly on continued robust demand for scooters.

The domestic commercial vehicles (CV) industry ended with depressed sales volumes in 2013-14.In comparison to the prior year, slowdown in the current year has been sharper as small commercial vehicles (SCVs) have also come under the grips of a cyclical slowdown. Following almost five years of strong growth, the demand for CVs have also reached a point of saturation across metros and tier II/III cities. The demand contraction continues to be across the board with M&H CV (trucks) being affected the most reflecting the impact of weak economic activity, subdued industrial activity and as a result low freight/cargo availability.

The tractor industry grew by a 20% during FY 13-14. The key drivers which led to this growth are due to increased customer cash flows due to higher MSP's and thereby the farm gate prices and labour shortage.

The year also witnessed increased aggression by NBFC in the tractor finance space as this is increasingly seen as an avenue to compensate for the dip in CV lending. Due to crop loss due to untimely hailstorm/rains during the last quarter of FY 13-14 and projections of an ELNino, it is unlikely that the industry will grow unless triggered by a good monsoon.

In the passenger car segment, the growth has been 6% lower than the FY 2012-13. With the unfavourable macro-economic headwinds such as high interest rates, high fuel prices and inflation has dampened the sales volume. The reduction in excise duty on passenger cars by in the Interim Budget (2014-15) came as a marginal relief for the OEMs in FY 2015.

Non-Banking Finance Companies (NBFCs) grew by 8-10 % in retail credit in FY 2013-14 as against the 19 % achieved in FY 2012-13. This dip in credit growth can be attributed to the sluggish economy and high interest rates adversely affecting demand for credit especially in Commercial Vehicle (CV), Construction Equipment (CE) and gold loan segments.

It can be noted that the dip in economic growth coupled with delay in staring projects along with judicial interventions like the ban on mining, have resulted in difficulties for the CV and CE sectors.Gold loan demand has been constrained due to regulatory policies of having lower loan to value ratios for a better part of the fiscal. Credit growth in the mortgage and tractor segment in FY 2013-14 remained robust,while the used CV segment has also expanded at a healthy pace on the back of demand from short haul and rural routes.

2. MARKET POTENTIAL AND BUSINESS PLANS

The NBFC sector has seen rapid growth during the last few years and the Company's start-up efforts of the previous 3 years have helped continue with the momentum during 2013-14 also. Although the market potential continues to be promising, due to the twin pillars of demographic divide and urbanisation driving the investment & consumer demand(s), the current political & economic context as at April 2014, demands sufficient caution.

During the year ahead, the Company will explore possibilities of financing within the used vehicles space across consumer and rural consumer profiles. Efforts to find scalable products for the existing customer base will be made while also seeking to extend the market-scope into adjacent segments.

The Company is exploring a foray into two segments where the existing team, skill-sets, infrastructure can provide a base ; and will roll-out pilots during the second half of the year.

Challenges within the financing industry come from aggressive growth plans of banks (at the higher end of customer spectrum) and micro-finance (at the lower socio-economic level).

With KYC and Payment Infrastructure in the country, evolving continually, validation & repayment collection continue to pose risks. While the Company has been able to overcome these, the ability to customize the same to new segments will be important, going forward.

3.DIVIDEND

The directors do not recommend any dividend for the year ended 31st March 2014.

4. ISSUANCE OF EQUITY SHARES

During the year under review, the board of directors issued and allotted 1,95,88,500 equity shares of Rs.10/-each at a premium of Rs.27/-per share aggregating to Rs.72.48 Cr to TVS Motor Services Limited, holding company in terms of Section 81(1A) of the Companies Act, 1956.

The paid up capital of the Company accordingly stood increased from Rs.88.51 Cr (8,85,11,500 equity shares of Rs.10/- each) to Rs.108.10 Cr (10,81,00,000 equity shares of Rs.10/- each) as on 31stMarch 2014.

5. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company, being a non-banking finance company, does not have any manufacturing activity. The directors, therefore, have nothing to report on "Conservation of Energy and Technology Absorption".

6. FOREIGN CURRENCY

Foreign currency expenditure in FY 2013-14 is Rs.1.13 lakhs(previous year Rs.Nil). The Company did not have any foreign exchange earnings.

7. DEPOSITS

The Company has not accepted any deposits from the public during the year ended 31st March 2014.

The Company shall not raise public deposits without prior written approval of the RBI, as per the conditions attached to the Certificate of Registration issued by RBI.

8. FUNDING

With equity infusion of Rs.72.48 crores in FY 2013-14, participation from banks and financial institutions in the form of equity and Tier 2 capital (Subordinated Debt), the Company has a strong Capital Adequacy Ratio (CAR). The CAR as on 31stMarch 2014 stood at 16.54%.

The Company has tied up working capital limit of Rs.1,600 crores with various banks and institutions which would enable it to meet are business plans for FY 2014. The Company has taken various initiatives to reduce its cost of borrowings and thereby maintain a healthy spread.

The Company has been assigned [Brickwork] 'A+' denoting a stable outlook for its borrowing programs from banks and financial institutions and A1+ for its short term programme. The Company securitised its AAA rated tractor portfolio to the extent of Rs.59.39 Cr during the year under review.

With the diversification of business into used cars and tractors where the lending tenor is more than 36 months, the funding programme is being structured in such a way that the borrowing tenor matches with the lending tenor and there is no Asset Liability mismatch. Also sufficient undrawn limits are being maintained at any point of time.

9. DIRECTORS

M/s Housing Development Finance Corporation Limited (HDFC) had subscribed to 50,00,000 equity shares of Rs.10/- each, at a premium of Rs.10/- each, aggregating to Rs.10 Cr, which had earlier constituted 6.10% of the paid up capital of the Company, in terms of Share Subscription-cum-Shareholders Agreement (SSSA) entered on 28th March 2011.

HDFC, in terms of the said agreement, was entitled to nominate one of their representatives to act as a nominee director in the board of the Company so long as –

(i) the amounts outstanding and due from the Company to HDFC, which constitutes at least 25% of the total secured loan amounts outstanding and availed by the Company; or

(ii) HDFC holds at least 5% of the issued and paid up equity share capital of the Company.

Accordingly, Mr V Srinivasa Rangan was appointed on 26th September 2011, as a nominee director of HDFC, not liable to retire by rotation, in terms of Article 15A of the Articles of Association of the Company (AoA) and the said appointment was also approved by the shareholders, at the annual general meeting held on 18th July 2012.

During the year under review, the board increased the paid up capital of the Company as explained elsewhere in this report by making allotment of equity shares to the holding company, namely TVS Motor Services Limited (TVS MS) and consequently, the shareholding of HDFC, in the Company reduced below the required limit of 5% of the total paid up capital of the Company, post allotment of shares to TVS MS.

As on the relevant date, the Company's total borrowings (secured) stood at Rs.1,312 Cr and borrowings from HDFC constituted 9.53% (Rs.125 Cr) only. In view of the change in the shareholding pattern and the borrowings as explained above, the rights conferred upon HDFC, under Article 15A of the AoA, ceased to operate and that Mr V Srinivasa Rangan, ceased as a nominee director in the board.

Subsequently, the Nomination and Remuneration Committee (NRC) reviewed the profile of Mr V Srinivasa Rangan including his current position, experience in the industry and his contribution to NBFCs in which he is a director.

NRC, therefore, recommended his appointment to the board, as an additional director, eligible to hold office till the conclusion of the ensuing annual general meeting.The board also reviewed the process of due diligence undertaken by the NRC to determine the suitability of his continuing to hold the position as a director on the board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

Therefore, Mr V Srinivasa Rangan, who was appointed as an additional director, will vacate his office at the ensuing annual general meeting and would be eligible for appointment, as a Director of the Company.

However, the Ministry of Corporate Affairs (MCA), in the meantime, notified the majority of the provisions *inter alia provisions relating to* selection, manner of appointment, roles, functions, duties, reappointment of independent directors (IDs) and the relevant rules under the Companies Act, 2013 (the Act) and made them effective 1st April 2014.

IDs, in terms of the provisions of section 149(10) read with section 149(5) of the Act, are eligible to hold office for a term upto five consecutive years on the board and eligible for re-appointment for the second term of five years on passing special resolutions by the Company. During the period, they will not be liable to 'retire by rotation' as per sections 150(2), 152(2) read with Schedule IV of the Act.

It is, therefore, proposed to appoint Mr V Srinivasa Rangan as ID for a period of five consecutive years at the ensuing annual general meeting. Necessary declarations have been obtained from him, as envisaged under the Act.

The board also ensured that their appointments were in compliance with the requirements under the relevant statutes and that there were appropriate balance of skills, experience and knowledge in the board, so as to enable the board to discharge its functions and duties effectively by him. The required disclosures have also been made in the Corporate Governance Report forming part of this report and in the web-site of the Company.

Notice in writing signifying the intention to appoint his candidature as ID of the Company along with the requisite deposits amount has been received from members of the Company in terms of section 160 of the Act.

In terms of the provisions of sub-section (6) read with explanation to section 152 of the Act, two-third of the total number of directors i.e., excluding IDs, are liable to retire by rotation and out of which, one-third is liable to retire by rotation at every annual general meeting.

Mr T K Balaji, Mr Sudarshan Venu and Mr P Sivaram, directors retire, in terms of Articles of Association of the Company, at the ensuing annual general meeting of the Company, and being eligible, offer themselves for reappointment.

10. RISK MANAGEMENT COMMITTEE (RMC)

The Company being in the business of financing of two wheelers, cars and tractors has to manage various risks. These risks include credit risk, liquidity risk, interest rate risk and operational risk.

The Company has constituted a RMC to review on an on-going basis the measures adopted by theCompany for the identification, measurement, monitoring and mitigation of the risks involved in various areas of the Company's functioning.

The Company has laid down procedures to inform board about the risk assessment and mitigation procedures, to ensure that executive management controls risk through means of a properly defined framework.

The Company has a robust asset-liability management model to ascertain and manage interest rate and liquidity risks.

Issues were discussed and reviewed periodically at meetings of RMC. This Committee meets periodically and oversee the risk management activities of the Company.

The Company continues to invest substantially in personnel, technology and infrastructure towards improved process efficiencies and mitigate business risks.

11. INTERNAL CONTROL SYSTEMS

The Company's comprehensive and effective internal control system ensures smooth business operations, meticulously recording all transaction details and ensuring regulatory compliance and protecting the Company's assets from loss or misuse.

The Company's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations.

The internal control system is supported by an internal audit process for reviewing the adequacy and efficacy of the internal controls including its system and processes and compliance with regulations and procedures.

Internal audit reports are discussed with the management and are reviewed by the audit committee of the board which also reviews the adequacy and effectiveness of the internal controls. The Company's internal control system is commensurate with its size, nature and operations.

12. CORPORATE GOVERNANCE

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service.

The Company would constantly endeavour to improve on these aspects. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and reviewed by the board of the committees of the members of the Board.

A report on corporate governance regarding compliance with the conditions of Corporate Governance as stipulated under RBI guidelines forms part of the Report and is annexed herewith.

13. ADHERENCE TO RBI NORMS AND STANDARDS

The Company has fulfilled the prudential norms and standards as laid down by RBI pertaining to income recognition, provisioning of non-performing assets and capital adequacy. The capital adequacy ratio of the Company is 16.54% which is well above the prescribed minimum of 15% by RBI.

As a prudent practice, the Company current provisioning standards are more stringent than Reserve Bank of India(RBI) prudential norms.In line with its conservative approach, the Company continues to strengthen its provisioning norms beyond the RBI regulation by accelerating the provisioning to an early stage of delinquencies based on the past experience and emerging trends.

The Fair Practices Code and KYC norms framed by RBI seek to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships between customers and the finance company and foster confidence in the housing finance system.

The Company has put in place all the Committees prescribed by RBI and have formulated a comprehensive Corporate Governance Policy. The Company has instituted a mechanism to monitor and review adherence to the Fair Practices Code, KYC norms, and Investment & Credit policies as approved by the Board of Directors.

14. AUDITORS

In terms of Section 139(1) and (2) of the Companies Act, 2013 (the Act), every company is required to appoint a statutory auditor for a term of five consecutive years, from incorporation, i.e., till the conclusion of sixth annual general meeting (AGM) and ratify such appointment, in every AGM, till the sixth AGM, by way of passing of an ordinary resolution.

The period, for which any firm has held office as auditor prior to the commencement of the new Act will be taken into account for calculating the period of five consecutive years, as per the fourth proviso to Section 139(2) of the Act read with Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014.

M/s.V Sankar Aiyar & Co., Chartered Accountants, Mumbai, who were re-appointed as statutory auditors of the Company, at the annual general meeting held on 5th September 2013, were functioning as auditor for five years. Hence, they are eligible to be appointed as statutory auditors for the second term of five consecutive years, in terms of the aforesaid provisions and rules under the Act.

It is proposed to appoint them as statutory auditors for the second term of five consecutive years, subject to the approval and ratification by the shareholders at the ensuing annual general meeting.

The Company has obtained necessary certificate under Section 141 of the Act conveying their eligibility for the above appointment. The audit committee and board reviewed their eligibility criteria, as laid down under Section 141 of the Act and recommended their appointment as auditors for the aforesaid period by the members.

15. SECRETARIAL AUDITOR

As required under Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (the Act 2013), the Company is required to appoint a Secretarial Auditor for auditing the secretarial and related records of the Company.

Accordingly, Mr.Sridhar, Practising Company Secretary,Chennai have been appointed as Secretarial Auditors for carrying out the secretarial audit for the financial year 2014-2015 for attaching their report with the board's report to the shareholders.

16. AUDIT COMMITTEE

As required under Section 292A of the Companies Act, 1956, the Company has constituted an independent audit committee which acts as a link between the statutory and the internal auditors and the board of directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters.

As on date, the Audit Committee has the following directors as its members, M/s. S Santhanakrishnan, R Ramakrishnan, K N Radhakrishnan and V Srinivasa Rangan.

The Committee meets periodically to discuss and review such matters as required in terms of Section 292A of the Companies Act, 1956.

17. ASSET LIABILITY MANAGEMENT COMMITTEE

The Company constituted an Asset Liability Management Committee (ALCO), in terms of Guidelines issued by RBI to NBFCs for effective risk management in its portfolios.

The Asset Liability Committee consists of M/s. AnupamThareja, Whole Time Director, R Ramakrishnan, Director, S Santhanakrishnan, Director, Sudarshan Venu, Director, G Venkatraman, Chief Executive Officer, V Gopalakrishnan, Chief Financial Officer and M Kalyanaraman, Chief Operating Officer as its members.

18. STATUTORY STATEMENTS

Information as per section 217(1)(e) of the Act:

The Company, being a non-banking finance company, does not have any manufacturing activity. The directors, therefore, have nothing to report on “Conservation of Energy and Technology Absorption”.

Information as per section 217(2A) of the Act:

The statement pursuant to section 217(2A) of the Act has been appended.

Information as per Section 217(2AA) of the Act:

Directors’ Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Act with respect to Directors’ Responsibility Statement, it is hereby confirmed –

i. that in the preparation of the annual accounts, the applicable accounting standards had been followed and there is no material departure.

ii. that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2014 and of the profit of the Company for the year ended on that date.

iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv. that the directors had prepared the annual accounts on a going concern basis.

19. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding company, namely TVS Motor Services Limited and other investors. The directors thank the bankers, investing institution, customers and dealers of TVS Motor Company Limited and TAFE Limited for their valuable support and assistance.

The directors wish to place on record their appreciation of the very good work done by all the employees of the Company during the year under review.

For and on behalf of the Board of Directors

Chennai	Anupam Thareja
June 12, 2014	Whole Time Director

REPORT ON CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

As a TVS Group Company, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service.

The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisites for attaining sustainable growth in this competitive corporate world. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built.

The Company would constantly endeavour to improve on these aspects. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and reviewed by the board and the duly constituted committees of the Board.

A summary of the corporate governance measures adopted by the Company is given below:

i) The Board of Directors along with its Committees provide leadership and guidance to the Company's management and directs, supervises and controls the activities of the Company.

ii) The size of the Board is commensurate with the size and business of the Company. At present the Board comprises of nine Directors viz.

S.No.	Name of the directors (M/s.)	Designation
1.	Venu Srinivasan	Chairman
2.	Anupam Thareja	Whole Time Director
3.	T K Balaji	Non Executive Director
4.	R Ramakrishnan	Non Executive Director
5.	Sudarshan Venu	Non Executive Director
6.	S Santhanakrishnan	Non Executive Director
7.	P Sivaram	Non Executive Director
8.	K N Radhakrishnan	Non Executive Director
9.	V Srinivasa Rangan	Non Executive Director

iii) The Board has constituted Committees with specific terms of reference to focus on specific issues and ensure expedient resolution of diverse matters. These are the Audit Committee, Asset Liability Management Committee, Risk Management Committee and Nomination and Remuneration Committee.

a. Audit Committee:

The Company has in place the Audit Committee constituted in accordance with the provisions of Para 11 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and the applicable provisions of the Companies Act, 1956.

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting.

The audit committee consists of the following members:

S.No.	Name of the Directors (M/s.)	Status
1.	S Santhanakrishnan	Non Executive Director
2.	R Ramakrishnan	Non Executive Director
3.	K N Radhakrishnan	Non Executive Director
4.	V Srinivasa Rangan	Non Executive Director

b. Nomination and Remuneration Committee:

The Company has in place the Nomination & Remuneration Committee. It was constituted to formulate and recommend to the board of directors, the company's policies relating to identification of directors, key managerial personnel and senior management personnel one level below the board and remuneration payable to them and the criteria for determining qualifications, positive attributes and independence of a director.

The Nomination and Remuneration committee consists of the following members:

S.No.	Name of the Directors (M/s.)	Status
1.	S Santhanakrishnan	Non Executive Director
2.	R Ramakrishnan	Non Executive Director
3.	K N Radhakrishnan	Non Executive Director

c. Risk Management Committee:

The Company has laid down procedures to inform board about the risk assessment and mitigation procedures, to ensure that executive management controls risk through means of a properly defined framework.

This Committee would ensure that the risk associated with the functioning of the Company are identified, controlled and mitigated and also lay procedures regarding managing and mitigating the risk through integrated risk management systems, strategies and mechanism. The Committee would meet periodically to review the risk management and mitigation/ minimization plans.

The Risk Management committee consists of the following members:

S.No.	Name of the Directors (M/s.)	Status
1.	Anupam Thareja	Whole Time Director
2.	S Santhanakrishnan	Non Executive Director
3.	R Ramakrishnan	Non Executive Director

d. Asset Liability Management Committee:

The Company constituted an Asset Liability Management Committee (ALCO), in terms of Guidelines issued by RBI to NBFCs for effective risk management in its portfolios.

The Asset Liability Committee consists of the following members:

S.No.	Name of the Directors(M/s.)	Status
1.	Anupam Thareja	Whole Time Director
2.	R Ramakrishnan	Non Executive Director
3.	S Santhanakrishnan	Non Executive Director
4.	Sudarshan Venu	Non Executive Director
5.	G Venkatraman	Chief Executive Officer
6.	V Gopalakrishnan	Chief Financial Officer
7.	M Kalyanaraman	Chief Operating Officer

e. Corporate Social Responsibility Committee:

The Board at its meeting held on 18th March 2014, constituted a Corporate Social Responsibility Committee with the following members:

S.No.	Name of the member (M/s.)	Designation
1.	Venu Srinivasan	Chairman
2.	Sudarshan Venu	Member
3.	S Santhanakrishnan	Member

The role and powers of the CSR committee of directors includes those covered under the other provisions of Companies Act, 2013 and shall further be governed by the provisions of Section 135 of the Companies Act, 2013, and rules thereof, as amended, from time to time.

Attendance and Meetings of the Board, Audit Committee (including attendance through video conferencing) and Annual General Meeting (AGM) held during the year:

Name of Director (M/s.)	Board Meetings		Audit Committee Meetings		Whether present at previous AGM held on 19th July 2013
	Held	Attended	Held	Attended	
Venu Srinivasan	5	4	4	Not a member	No
Anupam Thareja	5	4	4	Not a member	Yes
T K Balaji	5	2	4	Not a member	No
R Ramakrishnan	5	3	4	3	No
Sudarshan Venu	5	3	4	Not a member	No
S Santhanakrishnan	5	5	4	4	No
P Sivaram	5	3	4	Not a member	No
K N Radhakrishnan	5	4	4	3	No
V Srinivasa Rangan*	5	3	4	2	No

* *Appointed as an additional director of the Company w.e.f 18th March 2014*

iv) Pursuant to the guidelines on 'Fair Practices Code' issued by RBI, the Company has adopted a "Code", which is posted on the website of the Company and also a regular review on the implementation of the same is conducted by the Committee members.

v) The Company has adopted a Code of conduct for employees of the Company and due care is taken that the employees adhere to it.

vi) The Company has fulfilled the prudential norms and standards as laid down by RBI pertaining to income recognition, provisioning of non-performing assets and capital adequacy.

The Capital adequacy ratio of the Company is well within the limit prescribed by RBI. The Fair Practices Code and KYC norms framed by the Company seek to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships between customers and the Company and foster confidence in the finance system.

The Company has put in place a mechanism to monitor and review adherence to the Fair Practices Code, KYC norms & Credit policies as approved by the Board of Directors.

vii) The Board of Directors of the Company reviews, records and adopts the minutes of the meetings of various committees constituted by the Company.

The Company is keeping with proper responsibility and authority matrix inculcated in the structure of certification to ensure compliance from diversified and various locations.

viii) No commission is proposed to be paid to the Non Executive Directors (NEDs)of the Company for the year ended 31st March 2014. None of the NEDs holds equity shares of the Company.

ix) Sitting fees for attending the meetings of the Board and Committees of the Board are paid to NEDs within the maximum prescribed limits. Sitting fees paid to NEDs for the meetings held during 2013-14 are as follows:-

S.No.	Name of the directors (M/s.)	Sitting Fees (Amount in Rs.)
1.	Venu Srinivasan	9,000
2.	Anupam Thareja	-
3.	T K Balaji	4,500
4.	R Ramakrishnan	13,500
5.	Sudarshan Venu	15,750
6.	S Santhanakrishnan	27,000
7.	P Sivaram	6,750
8.	K N Radhakrishnan	15,750
9.	V Srinivasa Rangan	11,250

x) The certification from Mr G Venkatraman, CEO & Mr V Gopalakrishnan, CFO on the financial statements has been obtained.

xi) For further clarification / information, stakeholders are requested to visit the Company's website at www.tvscs.com

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2014 TO THE MEMBERS OF TVS CREDIT SERVICES LIMITED

Report on Financial Statements

1. We have audited the accompanying financial statements of TVS CREDIT SERVICES LIMITED (the "Company"), which comprise the Balance Sheet as at 31st March 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014

   b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and

   c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   (e) On the basis of written representations received from the directors as on 31st March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For V. Sankar Aiyar & Co.,
Chartered Accountants
ICAI Reg. No. 109208W

S. Venkataraman
Partner
M. No. 23116

Chennai
June 12, 2014

ANNEXURE REFERRED TO IN PARAGRAPH 7 OF OUR REPORT OF EVEN DATE

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

   b. We are informed by the Management that all the Fixed Assets have been physically verified by them during the year and no material discrepancies were noticed on such verification.

   c. In our opinion and according to the information and explanations given to us, fixed assets have not been disposed off by the company during the year.

2. Clauses (a), (b), (c) of para 4 (ii) of the Order are not applicable.

3. The company has neither taken nor granted any loan to / from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Hence clauses (a), (b), (c), (d), (e), (f) and (g) of para 4(iii) of the Order are not applicable.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase or inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

5. Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that no contracts and arrangements are required to be entered into in the register maintained under Section 301of the Act.

6. The Company has not accepted any deposits from the public, within the meaning of the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and Rules framed there under. Therefore, the provisions of clause (vi) of the para 4 of the Order are not applicable to the Company.

7. The Company has an internal audit system which is commensurate with the size and nature of the business.

8. According to the information and explanations given to us, and as per General Circular No. 67/ 2011 dated 30-11-2011 issued by Ministry of Corporate Affairs, The Companies (Cost Accounting Records Rules), 2011 are not applicable to the Company, since the Company's activity is financing.

9. a. According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues of Provident Fund,

Employees State Insurance, Income-tax, Service Tax and Cess. There is no liability to remit Investor Education Protection Fund, Sales Tax, Wealth tax, Excise Duty, and Customs Duty. There are no arrears of outstanding statutory dues as at 31st March 2014 for a period of more than six months from the date it became payable.

b. According to the information and explanations given to us, there are no dues of Income Tax, Sales tax, and Service tax, which have not been deposited on account of any dispute.

10. The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.

11. According to the records of the company examined by us and based on the information and explanation given to us, the company has not defaulted in repayment of dues to Financial Institution or Banks from whom loans were borrowed.

12. According to the records of the company examined by us and the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of clause 4 (xiii) of the Order regarding chit funds, are not applicable to the Company.

14. According to the records of the company examined by us and the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Hence this clause is not applicable.

15. The Company has not given any guarantee for loans taken by others from banks and financial institutions during the year.

16. On the basis of the records examined by us the funds raised to the end-use of term loan during the year, the term loans have been utilized for the purpose for which it was obtained.

17. On an overall examination, of the Balance sheet of the company, we report that short term funds of Rs. 2941Lacs have been used for long term investment by the Company. According to the information and explanations given to us and on the basis of the maturity profile of the assets and liabilities with residual maturity of 1 year, as given in the Asset Liability Management report prescribed by Reserve Bank of India, liabilities maturing in the next one year are in excess of the assets maturing to the extent of levels stipulated by RBI.

18. The Company has made preferential allotment of shares to a party who is not covered in the Register maintained under section 301 of the Act.

19. The Company has not issued debentures during the year and hence the reporting under clause 4(xix) of the Order regarding creating of security or charge does not arise.

20. The Company has not made any public issue during the year and hence clause 4 (xx) of the Order regarding end use of the funds, is not applicable.

21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no material fraud on the Company or by the Company has been noticed or reported during the year except for 54 cases of frauds on the Company amounting to Rs. 30 lakhs (Refer Additional Note no.21(d) to the financial statements) detected and are being dealt with by the management.

For V. Sankar Aiyar & Co.,
Chartered Accountants
ICAI Reg. No. 109208W

S. Venkataraman
Partner
M. No. 23116

Chennai
June 12, 2014

BALANCE SHEET AS AT MARCH 31, 2014

(Rs. In Lakhs)

Particulars	Note No.	As at 31st March 2014	As at 31st March 2013
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	10,810.00	8,851.15
Reserves and Surplus	3	15,400.50	8,391.96
		-	-
		26,210.50	17,243.11
Non-Current Liabilities			
Long Term Borrowings	4	57,719.22	25,470.36
Other Long Term Liabilities	5	6,863.64	6,142.11
Long Term Provisions	6	1,489.32	678.63
		66,072.18	32,291.10
Current Liabilities			
Short Term Borrowings	4	92,565.05	90,669.05
Trade payables	8	2,365.08	815.18
Other Current Liabilities	9	33,457.02	11,423.29
Short-term Provisions	6	3,645.83	2,788.30
		132,032.98	105,695.82
Total		**224,315.66**	**155,230.03**
ASSETS			
Non-current Assets			
Fixed Assets			
(i) Tangible assets	10	3,301.02	3,248.14
(ii) Intangible assets	10	189.89	191.41
		3,490.91	**3,439.55**
Long term loans and advances	11	805.26	315.43
Other Non Current Asset (Vide Additional Note No.21.5)	12	22,017.00	22,017.00
Receivable from Financing Activities	13	68,075.14	38,450.80
		90,897.40	60,783.23
Deferred Tax Asset (net) - (Vide Additional Note No. 21.6)		835.29	33.90
Current Assets			
Trade receivables	14	283.42	209.82
Cash and Bank Balances	15	17,994.55	16,543.65
Short-term loans and advances	11	1,180.31	1,026.34
Receivable from Financing Activities	13	109,633.78	73,193.54
Other current assets (Accrued Interest)		-	-
		129,092.06	90,973.35
Total		**224,315.66**	**155,230.03**
Significant Accounting Policies forming part of financial statements	1		
Additional Notes forming part of financial statements	21		

As per our report of even date

For V. SANKAR AIYAR & CO.
Chartered Accountants
ICAI Regn No. 109208W

S. Venkataraman
Partner
Membership No.23116
Chennai
June 12, 2014

For and on behalf of the Board

P. Sivaram
Director

Anupam Thareja
Whole Time Director

G. Venkatraman
Chief Executive Officer

V. Gopalakrishnan
Chief Financial Officer

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2014 (Rs. In Lakhs)

Particulars	Note No.	For the year ended 31st March 2014	For the year ended 31st March 2013
INCOME			
Revenue from operations	16	39,973.25	24,207.61
Other Income	17	68.17	352.41
Total		**40,041.42**	**24,560.02**
EXPENSES			
Finance costs	18	15,427.70	9,252.39
Business origination and Recovery Cost		4,944.51	4,355.79
Employee benefit expenses	19	11,140.23	6,673.39
Depreciation and amortization expense	10	586.99	337.42
Other expenses	20	4,597.99	2,930.27
Baddebts Written Off		739.63	-
Provision for bad and doubtful debts	7	792.38	509.54
Total		**38,229.43**	**24,058.80**
Profit before tax		1,811.99	501.22
Tax expense:			
Current Tax		706.77	204.00
MAT Credit (Entitlement)/Utilisation		136.68	(186.95)
MAT Credit adjusted (vide Note No.21.7)		50.27	-
Deferred Tax Liability/(Asset)		(801.38)	(31.72)
Profit after tax for the year		1,719.64	515.89
Earning per equity share:			
Basic Earnings per Share in Rs		1.85	0.63
Diluted Earnings per Share in Rs.		1.85	0.63
Significant Accounting Policies forming part of financial statements	1		
Additional Notes forming part of financial statements	21		

As per our report of even date

For and on behalf of the Board

For V. SANKAR AIYAR & CO.
Chartered Accountants
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Chief Executive Officer

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Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014 (Rs. In Lakhs)

Particulars	For the year ended 31st March 2014		For the year ended 31st March 2013	
Cash flow from Operations				
Profit before tax		1,811.99		501.22
Adjustments for				
Depreciation	586.99		337.42	
Provision for bad and doubtful debts	792.38		509.54	
Bad Debts Written off	739.63		-	
Loss on Sale of Foreclosures	291.95		37.39	
Provision for Doubtful Assets no longer required and written back	(5.18)		(0.18)	
(Profit)/Loss on sale of Assets	(0.21)		-	
Discard of Fixed Assets	82.18		-	
Provision for Employee related expenses	881.01		44.35	
Financing Charges	15,427.70		9,252.39	
Interest /Dividend received	(61.69)		(350.62)	
		18,734.76		9,830.29
Operating Profit Before Working Capital changes		20,546.75		10,331.51
Adjustments for				
(Increase)/Decrease in Receivables under financial activities (NBFC)	(67,096.17)		(65,649.17)	
(Increase)/Decrease in Trade Receivables	(73.60)		(150.46)	
(Increase)/Decrease in Loans & Advances	(1,369.53)		(113.70)	
(Increase)/Decrease in Other Non Current Assets	-		2,483.00	
Increase/(Decrease) in Trade payables & Other Liabilities	23,823.96		9,017.00	
		(44,715.34)		(54,413.33)
Financing Charges paid	(14,946.49)		(9,119.78)	
Income Tax Paid	(167.99)		(181.41)	
		(15,114.48)		(9,301.19)
Net Cash used in Operation - (A)		(39,283.06)		(53,383.01)

CASH FLOW STATEMENT *(Contd.)*

(Rs. In Lakhs)

Particulars	For the year ended 31st March 2014		For the year ended 31st March 2013	
Cashflow from investing activity				
(Increase)/Decrease in Bank deposit	924.22		1,103.91	
Purchase of Fixed Assets	(720.94)		(3,072.02)	
Proceeds from Sale of Fixed Assets	0.62		-	
Interest /Dividend received	61.69		352.28	
Net Cash (used in) Investing Activity - (B)		265.58		(1,615.83)
Cashflow from financing activity				
Proceeds from issue of Share Capital	1,958.85		648.65	
Share Premium Received	5,288.90		1,751.36	
Proceeds/(Repayment) of Term Loan from Bank	32,248.86		3,606.73	
Increase/(Decrease) in Short term Borrowings	1,896.00		62,217.54	
Net Cash from financing activity - (C)		41,392.60		68,224.28
Net Increase/(Decrease) in Cash and cash equivalents (A+B+C)		**2,375.12**		**13,225.44**
Cash and cash equivalents at the beginning of the year		14,431.64		1,206.20
Cash and cash equivalents at the end of the year		16,806.76		14,431.64
		2,375.12		**13,225.44**
Note:				
Cash and cash equivalents at the end of the year		17,994.55		16,543.65
Less:Bank Deposits under Lien		1,187.79		2,112.01
		16,806.76		**14,431.64**

Note : Previous year figures have been regrouped to confirm to current year groupings.

As per our report of even date

For and on behalf of the Board

For V. SANKAR AIYAR & CO.
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Chief Executive Officer

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Chief Financial Officer

1. Significant Accounting Policies forming part of Financial Statements

COMPANY BACKGROUND

The Company received Certificate of Registration dated 13th April, 2010 from Reserve Bank of India and commenced Non-Banking Financial activity there on. The company is categorized as Non-Banking Finance Company(Non-Deposit Accepting and Systemically Important) and is engaged predominantly in financing of vehicles.The Company falls under the category of Loan Company.

SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of accounts:

The Financial Statements are prepared under historical cost convention in accordance with Generally Accepted Accounting Principles, Accounting Standards referred to in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956. Further, the Company follows the Directions issued by the Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFC). The Company has a policy of making additional provision on a prudential basis as referred to under Note. No.f(ii).

All assets & liabilities are classified as Current and Non Current based on the operating cycles which have been estimated to be 12 months and which are expected to be realized and settled within a period of 12 months from the date of the Balance sheet.

b. Use of Estimates:

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The Management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future period.

c. Fixed assets and depreciation:

Fixed Assets

The costs of Fixed Assets are stated at cost of acquisition and those taken over under the Business Transfer Agreement (BTA) are at the net depreciated block of the transferor.

Depreciation

Depreciation is charged on Straight Line Method (SLM)

i. On assets taken over under Business Transfer Agreement (BTA), at the rate determined so as to charge it over the remaining period of the asset (determined by applying the SLM rates specified under Schedule XIV of Companies Act, 1956). Consequently the exact rate of depreciation varies for each asset based on the year of addition to the transferor. As various rates are applied, the same is not furnished.

ii. In respect of the other assets acquired, depreciation is calculated at the SLM rates specified in Schedule XIV of Companies Act, 1956, except in the case of Computers which is depreciated at 30%.

iii. All the fixed assets individually costing Rs.5000/- or less are fully depreciated.

iv. The cost of improvements made to rented property during the year and included under furniture and fixture, is depreciated over the primary lease period.

v. Depreciation on fixed assets added/disposed off during the year is calculated on pro- rata basis with reference to the date of addition/disposal.

d. Intangible Assets

Software cost is treated as Intangible Assets and are amortized at 33.33% per annum.

1. Significant Accounting Policies *(Contd.)*

e. Revenue Recognition

i. Interest income is recognized under the Internal Rate of Return Method. In the case of non-performing loans, interest income is recognized on realization, as per RBI guidelines. Interest recognized as income in the previous year is reversed in the month in which loan is classified as Non Performing as per RBI norms.

ii. Incomes by way of service charges like processing fee, documentation charges, Subvention Income received from dealers/manufacturers are recognized on disbursement of loan.

iii. Incomes arising on additional finance charges, cheque bounce charges are recognized on realization, due to uncertainty of collection.

iv. Interest revenue from deposits with banks is recognized on time proportion basis taking into account the outstanding amount and the applicable rate of interest.

v. Income from non financing activity is recognized as per the terms of contract, on accrual basis.

f. Financing Activities

i. Receivables from Financing Activities

The loans to borrowers are stated at the contract value after netting off un-matured Income, wherever applicable and installments appropriated up to the year end.

ii. Prudential Norms – Application & Provisioning for financing activities

The company has followed the directives of the Reserve Bank of India (RBI) on Prudential Norms on Income recognition, Asset classification, Provisioning requirement etc. issued from time to time. Accordingly, as required in the said directions, the Company has not accrued income in respect of Loan Assets, which are Non Performing.In addition, on assets which are past due between 90 to 180 days provision is created as per the provisioning norms approved by the Board for each type of lending activity which is based on internal estimates, past experience and other relevant factors, on the outstanding amount.

g. Securitization of Receivables

Securitisation transactions entered into and covered by the recent RBI circulars are accounted as under:

a. Securitised receivables are derecognized in the balance sheet on its sale,i.e. when they fully meet with the 'true sale' criteria.

b. Company's contractual rights to receive the share of future interest(i.e. interest spread) in the transferred assets from the SPV is capitalized at the present value as interest only(I/O) strip with a corresponding liability created for unrealized gain on loan transfer transactions. The excess interest spread on the securitization transaction is recognized in the statement of profit and loss only when it is redeemed in cash by the SPV. Losses, if any are recognized upfront.

h. Taxation

i. Provision for current tax is made on the basis of taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

ii. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the Balance Sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward 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.

1. Significant Accounting Policies *(Contd.)*

i. Employee Benefits:

i. Contributions to Provident Fund made to Regional Provident Fund Commissioner in respect of Employees' Provident Fund and Employee Pension Fund based on the statutory provisions are charged to Statement of Profit and Loss account on accounted on accrual basis.

ii. The Company makes contribution to a Gratuity fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined every year by LIC/ independent actuary using the Projected Unit Credit method.

iii. The Company accounts its liability for long term compensated absences based on actuarial valuation, as at the balance sheet date, determined by an independent actuary using the Projected Unit Credit method. Actuarial gains and losses are recognized in the statement of profit and loss, in the year in which they occur.

j. Service Tax Input Credit

Service Tax input credit is accounted as receivable when the underlying service is received, as per the Service Tax Rules applicable to Non-Banking Financial activities.

k. Prepaid Expenses

Upfront fee on loan borrowed is amortized over the tenor of the respective loan. Un-amortized borrowing cost remaining if any, is fully expensed off, as and when the related borrowing is prepaid.

l. Provisions & Contingencies

The company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated.

Wherever there is a possible obligation that may, but probably will not require an outflow of resources, the same is disclosed by way of contingent liability.

m. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of the transactions of non cash nature. Deposits which are lien marked with maturity period exceeding 3 months are not treated as cash and cash equivalent for cash flow statement.

n. Earnings Per Share

The basic earnings per share is computed by dividing the net profit / loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earning per share comprises the weighted average number of shares considered for deriving earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit per share are included.

o. Impairment

The carrying amounts of assets are reviewed at each balance sheet date for indication of any impairment based on internal/external factors. An impairment loss is recognized wherever carrying amount of the assets exceeds its recoverable amount. Any such impairment loss is recognized by charging it to the Statement of Profit and Loss. A previously recognized impairment loss is reversed where it no longer exists and the assets are restated to the effect.

p. Lease

Payments under operating lease arrangements are recognized as per the terms of the lease.

2. SHARE CAPITAL

(Rs. In Lakhs)

Sl. No.	Description			As at 31st March 2014	As at 31st March 2013
a	**Authorised Share Capital:**				
	150,000,000 Equity shares of Rs.10 each			15,000.00	15,000.00
	50,000,000 Unclassifed Shares of Rs.10 each			5,000.00	5,000.00
				20,000.00	20,000.00
b	**Issued, Subscribed and Fully Paid up Share Capital:**				
	108,100,000 number of Equity shares of Rs.10 each (Previous year 8,85,11,500 Equity Shares of Rs .10 each)			10,810.00	8,851.15
c	**Par Value per Share**			Rs.10 each	Rs.10 each
d	**Number of equity shares at the beginning of the year**			88,511,500	82,025,000
	Add: Preferential Allotment made during the year			19,588,500	6,486,500
	Number of equity shares at the end of the year			108,100,000	88,511,500
e	**Equity Shares held by Holding Company**				
	Particulars	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
	Holding Company - TVS Motor Services Limited	99,599,940	92.14	80,011,440	90.40
f	**Number of shares held by share holders more 5% of total shares**				
	TVS Motor Services Limited	99,599,940	92.14	80,011,440	90.40
	Housing Development Finance Corporation Limited	5,000,000	4.63	5,000,000	5.65
	PHI Research Private Limited	3,500,000	3.24	3,500,000	3.95

g **Terms/Rights attached to equity shares**

a) The Company has two classes of equity shares at of Rs.10/- per share. One class of equity shares has a right to participate in general meeting and is eligible for one vote per share held.

b) The shares allotted to PHI Research Private Limited have a lock in period as per the share subscription agreement entered into with them.

c) Under the shareholders agreement executed with Phi Research Private Limited, the company has agreed to allot shares for consideration other than cash, towards providing strategic and operational advisory service in connection with NBFC business, on achieving certain levels of PBT, agreed between them, from financial year commencing from 2012-13(or as deferred) up to 2014-15(wherein financial year to be is to be reckoned as that beginning from 1st October to 30th September)

3. RESERVES AND SURPLUS

(Rs. In Lakhs)

Sl. No.	Description	As at 31 March 2014		As at 31 March 2013	
		Amount	Amount	Amount	Amount
a	**Share Premium Reserve**				
	As per Last Balance Sheet	9,496.43		7,745.07	
	Add: Premium received on Preferential Allotment	5,288.90		1,751.36	
	Closing balance		14,785.33		9,496.43
b	**Statutory Reserve U/S 45-IC of Reserve Bank of India Act, 1934**				
	As per Last Balance Sheet	108.15		-	
	Add: Additions During the year	362.40		108.15	
	Closing balance		470.55		108.15
c	**Surplus/(Deficit) i.e. balance in Statement of Profit & Loss**				
	As per Last Balance Sheet	(1,212.62)		(1,620.36)	
	Add: Net Profit for the year	1,719.64		515.89	
	Less: Transfer to Statutory Reserve - Previous Year	-		4.97	
	Less: Transfer to Statutory Reserve - Current Year	362.40		103.18	
	Closing balance		144.62		(1,212.62)
			15,400.50		**8,391.96**

4. BORROWINGS

(Rs. In Lakhs)

Sl. No.	Description	NON-CURRENT As at 31st March 2014	NON-CURRENT As at 31st March 2013	CURRENT As at 31st March 2014	CURRENT As at 31st March 2013
	LONG TERM BORROWINGS				
	TERM LOAN				
a.	**From Bank**				
	Sub Ordinated Debt	5,000.00	5,000.00	-	-
	Term Loans	41,894.22	7,970.36	22,620.55	5,302.36
b.	**From Other Parties**				
	Senior Debt	1,248.25	1,667.00	418.75	-
	Sub Ordinated Debt	5,800.00	5,800.00	-	-
	Term Loans	3,776.75	5,033.00	1,256.25	-
		57,719.22	**25,470.36**	**24,295.55**	**5,302.36**
	The above amount includes				
	Secured Borrowings	45,670.97	13,003.36	23,876.80	5,302.36
	Unsecured Borrowings	12,048.25	12,467.00	418.75	-
	Amount disclosed under the head "Other Current Liabilities"	-	-	(24,295.55)	(5,302.36)
		57,719.22	**25,470.36**	-	-
	SHORT TERM BORROWINGS				
	Loans Repayable on Demand				
	- From Banks	-	-	81,565.05	79,669.05
	- From Other Parties	-	-	11,000.00	11,000.00
		-	**-**	**92,565.05**	**90,669.05**
	The above amount includes				
	Secured Borrowings	-	-	92,565.05	90,669.05
		-	**-**	**92,565.05**	**90,669.05**
1	**Security**				
a	Holding Company and an affiliate Company have given guarantee in the form of Put Option amounting to Rs.5,000 lakhs (Previous Year Rs.5,000 lakhs) towards Sub-Ordinated Debt.				
b	An affilliate company has given guarantee to Other Parties for Senior Debt amounting to Rs.1,667 lakhs inclusive of Current and Non Current dues (Previous Year Rs.1,667 lakhs).				
c	Term loan received from Other Parties, Rs.5,033 lakhs inclusive of Current and Non Current Dues (Previous Year Rs.5,033 lakhs) is secured by way of first and exclusive charge on the assets of the Company and further secured by equitable mortgage of portion of land of Holding Company.				
d	Term loan from Banks of Rs.64,514.77 lakhs (including Current and Non Current) (Previous Year Rs.13,272.72 lakhs) is secured against hypothecation of receivables under the financing activity of the Company.				
e	Working Capital Demand Loan and Cash credit of Rs.92,565.05 lakhs (Previous Year Rs.90,669.05 lakhs) is secured by hypothecation of receivables under the financing activity of the Company.				

4. BORROWINGS *(Contd.)*

2 Repayment Terms

Institution	Amount outstanding as on 31st March 2014	No. of Instalments	Frequency	Amount of Instalments	Repayable	
					From	To
	Rs. In Lakhs			Rs. In Lakhs		
Sub-Ordinated Debt						
From Other Parties	5,800.00	4	Annual	1,450.00	Jun-17	Jun-20
From Bank	2,500.00	4	Annual	625.00	Feb-17	Feb-20
From Bank	2,500.00	1	Bullet Payment	2,500.00	Jul-17	-
Senior Debt						
From Other Parties	1,667.00	4	Annual	418.75	Jun-14	Jun-17
Term Loan Banks						
From Bank	3,636.36	4	Quarterly	909.09	May-14	Feb-15
From Bank	8,333.88	12	Quarterly	833.33	Jun-14	Sep-16
From Bank	9,000.00	10	Quarterly	1,000.00	Mar-14	Jun-16
From Bank	3,545.45	33	Monthly	151.52	Dec-13	Sep-16
From Bank	10,000.00	10	Monthly	1,000.00	Jun-14	Sep-16
From Bank	10,000.00	10	Quarterly	1,000.00	Jun-14	Sep-16
From Bank	5,000.00	11	Quarterly	417.00	Jun-14	Mar-17
From Bank	9,999.07	10	Quarterly	1,000.00	Sep-14	Dec-16
From Bank	5,000.00	30	Monthly	166.67	Jun-14	Dec-16

5. OTHER LONG TERM LIABILITIES

(Rs. In Lakhs)

Description	As at 31st March 2014	As at 31st March 2013
Others		
- Security Deposit	324.85	234.74
- Income received in Advance	156.60	134.05
- Advance received from Borrowers	5,793.48	4,929.77
- Advance Insurance premium collected from Borrowers*	217.68	843.55
- Unrealised Gain on Loan Transfer (Refer Note No.21.10)	371.03	-
	6,863.64	**6,142.11**

* Insurance premium collected from borrowers is towards insurance cover of hypothecated vehicles for future years.

6. PROVISION

(Rs. In Lakhs)

Description	NON-CURRENT		CURRENT	
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
Provision for Employee Benefits				
- Compensated Absences	155.30	81.09	8.17	4.26
- Bonus	-	-	400.00	-
- Pension	402.91	-	-	-
Others				
As per RBI Norms				
Provision for Standard Assets	248.50	83.47	399.93	165.19
Provision for Sub Standard Assets	19.67	18.33	7.15	2.72
Provision for Doubtful Assets	4.20	3.44	9.79	16.54
Provision for Loss Assets	-	-	83.02	-
Provision for Loss Assets (Assets taken over from erst while TVS Finance and Services Limited vide BTA dated 21/04/2010)	-	-	2,569.85	2,575.03
As per Company Norms				
Provision on Standard Assets/Non Performing Assets as per Company Policy	658.74	450.34	167.92	19.80
Provision against the underlying assets covered by Cash Collateral	-	41.96	-	4.77
	1,489.32	**678.63**	**3,645.83**	**2,788.31**

Provision represents provisions created:

As per RBI Prudential Norms in respect of Standard, Sub Standard,Doubtful and Loss Assets vide Note No.7 below.

As per Company Policy, additional provision created in respect of overdue receivables as mentioned under Note No.7 below.

7. CHANGES IN PROVISIONS

(Rs. In Lakhs)

Description	Provision as on 01.04.2013	Additions during the year	Reversals during the year	Net amount debited in P&L	Provision as on 31.03.2014
As per RBI Norms					
Provision for Standard Assets	248.65	648.43	248.65	399.77	648.43
Provision for Sub Standard Assets	21.05	26.82	21.05	5.78	26.82
Provision for Doubtful Assets	19.97	13.99	19.97	(5.98)	13.99
Provision for Loss Assets	-	83.02	-	83.02	83.02
Provision for Loss Assets taken over from TVSFS	2,575.03	-	5.18	-	2,569.85
As per Company Policy					
Provision for Standard Assets - Retained	470.14	826.66	470.14	356.52	826.66
Provision for Standard Assets - Assigned	46.73	-	46.73	(46.73)	-
	3,381.57	**1,598.92**	**811.72**	**792.38**	**4,168.77**

8. TRADE PAYABLE

(Rs. In Lakhs)

Description	As at 31st March 2014	As at 31st March 2013
TRADE PAYABLE		
- Outstanding dues to Micro,Medium & Small Enterprises	-	-
- Others	2,365.08	815.18
	2,365.08	**815.18**

9. OTHER CURRENT LIABILITIES

(Rs. In Lakhs)

Description	As at 31st March 2014	As at 31st March 2013
OTHER CURRENT LIABILITIES		
- Current maturities of Long term debts	24,295.55	5,302.36
- Interest Accrued and due on Loans (@)	779.39	298.18
- Income received in Advance	141.30	92.43
- Advance received and collections from Borrowers	5,601.49	3,827.43
- Employee Related Liabilities	944.81	554.82
- Security Deposits	34.62	18.92
Other Payable		
- Collections in respect of de-recognised assets (refer Note No.21.12)	182.03	599.88
- Advance Insurance premium collected from Borrowers (#)	850.04	562.36
- Statutory Dues	200.34	161.01
- Unrealised Gain on Loan Transfer (Refer Note No.21.10)	425.24	-
- Other Liabilities	2.21	5.90
Total Other Current Liabilities	**33,457.02**	**11,423.29**

@ Interest accrued and due on loans represent the interest provisions made on loans,which have fallen due. (Funds are made available with banks which have been appropriated by bank subsequently).

Insurance premium collected from borrowers is towards insurance cover of hypothecated vehicles for future years.

10. FIXED ASSETS

(Rs. In Lakhs)

S. No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1-Apr-13	Addi-tions 2013-14	Deductions 2013-14	As at 31-Mar-14	As at 1-Apr-13	For the year 2013-14	Deductions 2013-14	Total as at 31-Mar-14	As at 31-Mar-14	As at 31-Mar-13
	Tangilble Assets .										
1	Land	2,513.17	-	-	2,513.17	-	-	-	-	2,513.17	2,513.17
2	Building	45.00	-	-	45.00	1.51	0.75	-	2.26	42.74	43.49
3	Furniture & Fixtures	406.59	151.34	86.72	471.21	167.54	138.36	34.50	271.40	199.81	239.05
4	Office Equipments	355.52	69.54	53.01	372.04	108.83	89.65	22.98	175.50	196.54	246.69
5	Vehicles	0.67	-	-	0.67	0.26	0.07	-	0.33	0.34	0.41
6	Computers	405.42	386.96	46.03	746.35	200.09	243.52	45.69	397.92	348.42	205.33
	Tangible Assets - TOTAL	3,726.37	607.84	185.76	4,148.44	478.23	472.35	103.17	847.41	3,301.02	3,248.14
	Previous Year	841.45	2,884.92	-	3,726.37	196.85	281.37	-	478.23	3,248.14	644.60

S. No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1-Apr-13	Addi-tions 2013-14	Deductions 2013-14	As at 31-Mar-14	As at 1-Apr-13	For the year 2013-14	Deductions 2013-14	Total as at 31-Mar-14	As at 31-Mar-14	As at 31-Mar-13
	Intangible Assets										
1	Computer Software	303.59	113.11	-	416.71	112.18	114.64	-	226.82	189.89	191.41
	Intangible Assets - TOTAL	303.59	113.11	-	416.71	112.18	114.64	-	226.82	189.89	191.41
	Previous Year	116.50	187.09	-	303.59	56.14	56.04	-	112.18	191.41	60.36

Notes :

1 Improvements made to rented property included under furniture and fixtures are depreciated at 33.33% and 50%.

2 Depreciation on Assets taken over under BTA is as per note (C) (i) of Note No.1 - Significate Accounting Policies.

11. LOANS AND ADVANCES CONSIDERED GOOD

(Rs. In Lakhs)

Description	NON-CURRENT		CURRENT	
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
Capital Advances	9.92	3.90	-	-
Balance with Excise Department	-	-	72.24	69.29
Others:				
Advance Tax/Tax deducted at source - (Net of Provision)	-	-	61.17	194.33
MAT Credit Entitlement	-	-	-	186.96
Prepaid Expenses	93.31	153.05	410.97	372.42
Rent Advance	231.08	109.00	16.57	64.56
Staff Advance	99.92	49.49	92.56	78.61
Deposit with Service Providers	-	-	66.48	51.72
Vendor Advance	-	-	35.08	8.44
"Interest only Strip" Receivable on Securitisation Transaction (Refer Note No.21.10)	371.03	-	425.24	-
Total	**805.26**	**315.44**	**1,180.31**	**1,026.33**
Secured	-	-	-	-
Unsecured	805.26	315.44	1,180.31	1,026.34
Total	**805.26**	**315.44**	**1,180.31**	**1,026.34**

12. OTHER NON CURRENT ASSETS (CONSIDERED GOOD)

(Rs. In Lakhs)

Description	As at 31st March 2014	As at 31st March 2013
Others - Receivable from Holding Company towards sale of Investments (vide Note No.21.5)	22,017.00	22,017.00
Total	**22,017.00**	**22,017.00**
Secured	10,062.00	10,062.00
Unsecured	11,955.00	11,955.00
Total	**22,017.00**	**22,017.00**

13. RECEIVABLES FROM FINANCING ACTIVITY

(Rs. In Lakhs)

Description	NON-CURRENT		CURRENT	
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
Secured				
Automobile & Other Financing	68,075.14	38,450.80	106,429.37	69,926.30
Instalments due from borrowers	-	-	3,204.41	3,267.24
	68,075.14	**38,450.80**	**109,633.78**	**73,193.54**
Of the above :				
Considered Good	67,829.69	38,296.84	106,987.07	70,578.36
Considered Doubtful				
Sub Standard Assets	157.77	148.85	65.20	23.65
Doubtful Assets	9.40	5.11	9.29	16.50
Loss Assets	78.28	-	2,572.22	2,575.03
	68,075.14	**38,450.80**	**109,633.78**	**73,193.54**

a The stock of loan includes 2273 nos (Previous year 1168 nos) repossessed vehicles as at Balance Sheet date.

b Automobile Finance is secured by hypothecation of vehicles supported by Registeration Certificate book issued by Regional Transport Officer and undertaking given by the borrower to register the vehicle with RTO.

In respect of 2,61,021(Previous year - 1,91,162) vehicles as at Balance Sheet date with Receivables value of Rs.62,149.57 lakhs (Previous year Rs.52,451.95 lakhs), registration is in process or registration information is not available. In respect of Used Cars, hypothecation favouring Company is pending for 156 nos of vehicles (PY - Nil) with receivable of Rs.513.92 lakhs.

c The provisions created as per RBI Prudential Norms and as per Company Policy in respect of the above balances are shown under the head long term and short term provisions (Vide Note No.6).

d Loss assets represents Receivables taken over from TVS Finance and Services Limited, as part of Business Transfer Agreement dated 21st April 2010 to the extent of Rs.2,569.85 lakhs.

14. TRADE RECEIVABLES - UNSECURED CONSIDERED GOOD

(Rs. In Lakhs)

Description	As at 31st March 2014	As at 31st March 2013
- Due for a period exceeding six months from the Due dates	-	-
- Others	283.42	209.82
	283.42	**209.82**

15. CASH AND BANK BALANCES

(Rs. In Lakhs)

Description	As at 31st March 2014	As at 31st March 2013
CASH AND CASH EQUIVALENTS		
Balances with Banks		
- In Current Account	16,141.48	13,865.38
Cheques, Drafts on Hand *	-	43.21
Cash on Hand *	665.28	523.05
OTHER BANK BALANCES		
- In Fixed Deposits as Cash Collateral towards Assets de - recognised on assignment of receivables	1,187.79	2,112.01
	17,994.55	**16,543.65**

* Represents cheques and cash collectd from borrowers as on Balance Sheet date, deposited with Bank on the next working day.

16. REVENUE FROM OPERATIONS

(Rs. In Lakhs)

Description	Year ended 31st March 2014	Year ended 31st March 2013
Income from Financing Activity		
(i) Interest		
- Automobile & Other Finance	29,630.77	16,885.60
(ii) Other Operating Revenue		
- Automobile & Other Finance		
- Processing Fee	6,880.16	5,502.89
- Service Charges	1,791.15	911.20
- Insurance Service Income	1,671.17	907.92
	39,973.25	**24,207.61**

17. OTHER INCOME

(Rs. In Lakhs)

Description	Year ended 31st March 2014	Year ended 31st March 2013
Interest Income		
on Deposits	48.84	341.91
on Staff Advance	12.85	8.72
Write Back of Provision for Doubtful Assets no longer required*	5.18	0.18
Other Non Operating Income	1.30	1.60
	68.17	**352.41**

* Represents the recovery made and its corresponding balances written back out of the assets taken over from TVS Finance and Services Limited, which have been fully provided for.

18. FINANCE COST

(Rs. In Lakhs)

Description	Year ended 31st March 2014	Year ended 31st March 2013
Interest Expenses	12,662.43	7,713.96
Discount on Commercial Papers	1,931.87	1,034.33
Others		
Amortisation of Line of credit charges	258.71	206.49
Bank charges	574.69	297.61
	15,427.70	**9,252.39**

19. EMPLOYEE BENEFIT EXPENSES

(Rs. In Lakhs)

Description	Year ended 31st March 2014	Year ended 31st March 2013
Salaries and Allowances	9,968.66	5,885.40
Contribution to provident and other funds	741.01	491.47
Staff welfare	430.56	296.52
	11,140.23	**6,673.39**

20. OTHER EXPENSES

(Rs. In Lakhs)

Description	Year ended 31st March 2014	Year ended 31st March 2013
Rent @	482.29	316.40
Repairs and Maintenance - Building	31.32	20.12
Insurance	132.71	25.14
Travelling and Conveyance	1,252.10	790.32
Communication expenses	968.56	638.59
Rates and Taxes	92.70	76.39
Payment to Auditor		
Statutory Audit	8.00	6.80
Tax Audit	2.00	2.00
Certification	3.72	3.82
Reimbursement of Expenses	0.31	0.61
Directors' Sitting Fees	1.25	1.15
Consultancy Fees	534.50	439.69
Electricity Charges	86.58	52.91
Discard of Fixed Assets	82.18	-
Loss on Foreclosures (Net)	291.95	37.39
Other expenses	627.82	518.94
	4,597.99	**2,930.27**

@ Disclosure requirement under AS 19 - Accounting for leases is given below:
The company has taken commercial premises and amenities under cancellable and non cancellable operating leases. The lease agreements are normally renewable on expiry.

(Rs. In Lakhs)

Description	2013-14	2012-13
Less than 1 year	194.80	145.52
Between 1 year and 5 years	443.17	608.93
More than 5 years	-	96.92

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

1. Capital Commitments (Rs. in Lakhs)

Description	31st March, 2014	31st March, 2013
Estimated amount of contracts remaining to be executed on Capital Account not provided for	**9.92**	3.90

2. The Company does not have any other commitments, other than stated under Note No.2(g)(c).

3. Contingent Liabilities not provided for: (Rs. in Lakhs)

Description	**2013-14**	**2012-13**
Legal cases filed by borrowers against the company	88.77	43.01

4. Claims against the company not acknowledged as debt – Rs. Nil (previous year – Rs. Nil)

5. Pursuant to a Business Transfer Agreement (BTA) entered into with TVS Finance and Services Limited (TVSFS) on 21st April 2010, the company acquired the retail finance business of TVSFS as a going concern along with the related assets (comprising of fixed assets, receivables, loans and advances and Bank balances) of Rs. 5,075.51 lakhs and liabilities (comprising of borrowings from Banks and Institution, current liabilities and provisions) of Rs. 29,875.51 lakhs. TVSFS issue Unsecured Redeemable Bonds for the excess of liabilities over assets of Rs. 24,800.00 lakhs (which stands at Rs. 22,017.00 lakhs as on the date of this balance sheet). The bonds are redeemable between 7th and 12th year from the date of allotment. The said bonds have been purchased by TVS Motor Services Limited (TVSMS), the Holding Company, during 2010-11 at book value and the same is repayable by TVSMS in 6 years and is partly secured (being created) by the land owned by TVSMS and their receivables arising out of sale of land, whose book value is Rs. 10,062.00 lakhs (PY Rs. 10,062.00 lakhs). Considering the intrinsic value of land lying with Holding Company, the shares held by the Holding Company in the Company, the unsecured amount of Rs. 11,955.00 lakhs is considered good and recoverable. In the opinion of the company the receivable from TVSMS not being a credit exposure or an investment does not fall within the exposure norms prescribed under the Non-Banking Financial (Non-Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007.

6. The break-up of Deferred tax (assets)/Liabilities are as under: (Rs. in Lakhs)

Timing Differences	**Balance as at 01.04.2013**	**For the Year**	**Balance as at 31.03.2014**
Deferred Tax Asset			
Provision for Compensated Absence	(10.48)	(39.65)	(50.13)
Provision for Bad and Doubtful Debts	-	(543.47)	(543.47)
Provision for Pension	-	(136.95)	(136.95)
Deferred Tax Liability			
Fixed Assets – Depreciation	(23.42)	(81.31)	(104.74)
Net Deferred Tax (Asset)/Liability	**(33.90)**	**(801.38)**	**(835.29)**

7. Out of the MAT credit entitlement Rs. 186.96 lakhs, Rs. 50.28 lakhs has been charged off to the Profit under Tax Expense to the extent of entitlement not availed in Income Tax Return in the earlier Assessment Year.

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

8. Gratuity & Compensated Absence

Details of Defined benefit plan for gratuity and Compensated absence, as per Actuarial Valuation Report, is as follows:

(Rs. in Lakhs)

Description	Gratuity		Compensated absence	
	2013-14	2012-13	2013-14	2012-13
Present value of defined benefit obligations at beginning of the year	95.28	78.84	85.36	41.01
Current service cost	59.89	83.57	70.21	52.56
Interest Cost	9.50	8.25	6.43	3.00
Actuarial (gains)/Losses	-	(75.38)	11.57	(3.95)
Present value of defined benefit obligations at end of the period	**174.90**	**95.28**	**173.58**	**92.62**
Changes in Plan Assets				
Fair value of the plan assets at the beginning of the year	127.19	82.30	-	-
Acquisition adjustments	16.94	-	-	-
Expected return on plan assets	86.36	9.04	-	-
Contributions	-	36.40	-	-
Benefits paid	-	-	10.10	7.25
Actuarial Gain /(Loss) on plan assets	-	(0.55)	-	-
Fair value of plan assets at the end of the year	**230.49**	**127.19**	**10.10**	**7.25**
Amount recognised in the Balance Sheet under Note No.				
Present value of funded defined benefit obligations at end of the year	(174.90)	(95.28)	163.48	85.37
Fair value of plan assets at end of year	230.49	127.19	163.48	85.37
Funded status	55.60	31.90		
Net (Liability) /Asset recognised in balance sheet at end of the year	-	-	-	-
Expense recognised in income statement	**-**	**-**	**-**	**-**
Current service cost	59.89	83.57	70.20	52.55
Interest cost	9.50	8.25	6.43	3.00
Expected return on plan assets	(16.94)	(9.04)	-	-
Curtailment cost / (credit)	-	-	-	-
Settlement cost / (credit)	-	-	-	-
Actuarial (gains) /losses	10.23	(74.82)	11.57	(3.95)
Expense recognised in the statement of Profit & Loss a/c	**62.68**	**7.96**	**88.21**	**51.60**
Assumptions				
Discount Rate	8.00%p.a	8.50%p.a	8.00%p.a	8.00%p.a
Interest Rate (Rate of Return on Assets)	9.00%p.a	9.00%p.a	8.50%p.a	8.50%p.a
Future Salary Increase	5.00%p.a	5.00%p.a	5.00%p.a	5.00%p.a
Attrition Rate	2.00%p.a	2.00%p.a	3.00%p.a	2.00%p.a

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

9. Earnings per Share (EPS)

Particulars		2013-14	2012-13
Profit/(Loss) after Tax for Basic EPS	Rs. in Lakhs	1,719.64	515.89
Weighted average number of Equity shares used in computing Basic earnings per share	Nos	9,28,34,858	8,18,89,501
Face value of Equity Shares	Rupees	10.00	10.00
Basic Earnings per share	**Rupees**	**1.85**	**0.63**
Profit after Tax for Basic EPS	Rs. in Lakhs	1,719.64	515.89
Profit after Tax for Diluted EPS	Rs. in Lakhs	1,719.64	515.89
Weighted average number of Equity shares used in computing Basic earnings per share	Nos	9,28,34,858	8,18,89,501
Weighted average number of Equity shares in computing Diluted earnings per share	Nos	9,28,34,858	8,18,89,501
Diluted Earnings per Share	**Rupees**	**1.85**	**0.63**

10. Note on Securitization

Details of Assets De-Recognized by way of Securitization during the year

a. During the year, the Company has without recourse securitized on 'at Par' basis through Pass Through Certificate (PTC) route, loan receivables of 2751 Contracts (PY- Rs. Nil) amounting to Rs. 5,938.96 Lakhs(PY- Rs. Nil) for a consideration of Rs. 5,938.96 lakhs

(PY-Rs. Nil) and derecognized the said loan receivables from the books.

b. In terms of the accounting policy stated in Note No.1 (g), securitization income is recognized as per RBI guidelines dated 21st August 2012. Accordingly, interest only strip representing present value of interest spread receivable Rs. 796.27 lakhs has been recognized and reflected under loans and advances (vide Note No.11) and equivalent amount of unrealized gains has been recognized as liabilities (vide Note No.5 and 9).

c. The company will be able to receive the Excess Interest Spread (EIS) in cash only after all the PTCs are redeemed in full; However, the value of the EIS can be held and recognized under a separate head titled "Unrealised Gain on Loan Transfer Transactions" during the tenor of securitisation transaction on account of the same being offered as credit enhancement and not being realized immediately. The said income arising as EIS can be recognized in the P&L Account as and when there is actual realization of such EIS in cash (or settlement of each installment if agreed by SPV).

d. Disclosure as required under revised RBI guidelines dated 21st August 2012.

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

Disclosures to be made in Notes to Accounts by NBFCs

(Rs.in Lakhs)

S. No.	Particulars	2013-14	2012-13
1	No of SPVs sponsored by the NBFC for securitisation transactions	1 no.	-
2	Total amount of securitised assets as per books of the SPVs sponsored by NBFC's	5,938.96	-
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	- First loss (cash collateral term deposits with banks (refer Note No.13)	1,187.79	-
	- Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- loss	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-

11. During the year, Company has acquired without recourse, Portfolio of Rs. 708.02 lakhs (Previous year Rs. 1,027.07 Lakhs) for a consideration of Rs. 679.00 (Previous year Rs. 901.69 Lakhs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company.

12. As at the balance sheet date, the company has received dues of Rs. 182.03 lakhs (PY - Rs. 599.88 lakhs) included under bank balances, arising out of the assigned asset and the same is held as "payable to the Bank" and shown under Other Current Liabilities (Note No.9).

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

13. Disclosure in respect of Related Parties pursuant to Accounting Standard 18:

Nature of Relationship	Parties name
Reporting Enterprise	TVS Credit Services Limited
Holding Company	TVS Motor Services Limited
Key managerial personnel (KMP)	Mr. Anupam Thareja, Whole Time Director
Enterprise over which Key Managerial Personnel is able to exercise significant influence	Phi Research Private Limited

Transactions with the Related Parties: (Rs. In Lakhs)

Sl. No.	Name of the Related Party	Nature of Transactions	2013-14	2012-13
1	**TVS Motor Services Ltd**	Allotment of Equity shares (Previous year -64,86,500 shares of Rs.10 each at a premium of Rs.27 each)	7247.75	2,400.01
		Purchase of Land	-	2,483.00
		Balance outstanding (Dr)	22,017.00	22,017.00

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

14. Segment Reporting

The Company is primarily engaged in the business of financing "Financial Services". All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting".

15. Expenditure in foreign currency (Rs. in Lakhs)

Description	2013-14	2012-13
Foreign Travel Expenses	1.13	-

16. Earning as per Foreign Currency (Rs. in Lakhs)

Description	2013-14	2012-13
Earnings as per Foreign Currency	-	-

17. The Company has sought information from suppliers under the Micro, Small and Medium Enterprises Development Act 2006 which is spending. In view of this, information required under Schedule VI of the Companies Act is not furnished.

18. The Company has reclassified the previous year figures in accordance with the requirements applicable in the current year, wherever applicable.

19. In the opinion of the Management, the current Assets, Loans & Advances have a value of realization in ordinary course of business or at least equal to the amount at which they are stated in the balance sheet.

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

20. Disclosure pursuant to Reserve Bank of India Notification DNBS.193DG (VL) – 2007 dated February 22, 2007

(As required in terms of Paragraph 13 of Non - Banking Financial (Non - Deposit accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions , 2007)

(Rs. in Lakhs)

	Liabilities		Amount outstanding	Amount overdue
(1)	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:**			
A	Debentures- secured		-	-
	-Unsecured (other than falling within the meaning of public deposits)		-	-
B	Deferred Credits		-	-
C	Term Loans		82,014.77	-
D	Inter-corporate loans and borrowings		-	-
E	Commercial paper		-	-
F	Other loans - (Cash Credit)		92,565.05	-
			1,74,579.82	
	Assets side:		**Amount Outstanding**	
(2)	**Break-up of Loans and Advances including bills receivable (other than those included in (4) below):**			
A	Secured		1,77,708.92	
B	Unsecured considered good		1,985.57	
(3)	**Break-up of Leased Assets and stock on hire and Other assets counting towards AFC activities:**			
	(i) Lease assets including lease rentals under sundry debtors:			
	(a) Financial lease		-	
	(b) Operating lease		-	
	(ii) Stock on hire including hire charges under sundry debtors:			
	(a) Assets on hire		-	
	(b) Repossessed assets		-	
	(iii) Other Loan counting towards AFC activities:			
	(a) Loans where assets have been repossessed			
	(b) Loans other than (a) above			
			1,79,694.49	

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

(Rs. in Lakhs)

(4) Break up of Investments:		Amount	
Current Investments:			
1 Quoted :			
(i) Shares: (a) Equity		-	
(b) Preference		-	
(ii) Debentures and Bonds		-	
(iii) Units of Mutual funds		-	
(iv) Government securities		-	
(v) Others (Please specify)		-	
2 Unquoted:			
(i) Shares: (a) Equity		-	
(b) Preference		-	
(ii) Debentures and Bonds		-	
(iii) Units of Mutual funds		-	
(iv) Government securities		-	
(v) Others (Please specify)		-	
Long term Investments:			
1 Quoted :			
(i) Shares: (a) Equity		-	
(b) Preference		-	
(ii) Debentures and Bonds		-	
(iii) Units of Mutual funds		-	
(iv) Government securities		-	
(v) Others (Please specify)		-	
2 Unquoted:			
(i) Shares: (a) Equity		-	
(b) Preference		-	
(ii) Debentures and Bonds		-	
(iii) Units of Mutual funds		-	
(iv) Government securities		-	
(v) Others (Pass through Certificates-Securitisation)		-	
		0.00	

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

(Rs. in Lakhs)

(5)	**Borrower group -wise classification of assets financed as in (2) and (3) above**			
			Amount net of provisions	
	Category	**Secured**	**Unsecured**	**Total**
	1. Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	-	-
	(c) Other related parties	-	-	-
	2. Other than related parties	1,79,694.49	-	1,79,694.49
	Total	**1,79,694.49**	-	**1,79,694.49**
(6)	**Investor group wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)**			
	Category	**Market value/ Breakup or fair value of NAV**	**Book value (Net of provisions)**	
	1 Related parties			
	(a) Subsidiaries		-	
	(b) Companies in the same group		-	
	(c) Other related parties		-	
	2 Other than related parties		-	
(7)	**Other Information**			
	Particulars		**Amount**	
	(i) Gross Non-performing assets			
	(a) Related Parties		-	
	(b) Other than related parties		2,892.15	
			2,892.15	
	(ii) Net - Non Performing assets			
	(a) Related Parties		-	
	(b) Other than related parties		198.47	
			198.47	
	(iii) Assets acquired in satisfaction of debt		-	

1 Companies in the same group have been considered to mean companies under the same management as per section 370(1B) of the Companies Act 1956

2 Information under (7) above does not include provision made for standard assets as per notification no. RBI/2010-11/370 DNBS.PD.CC.No.207/03.02.002/2010-11 dated Jan 17, 2011

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

21. Disclosure pursuant to Reserve Bank of India Notification DNBS.200/CGM(PK)–2008 dated 1 Aug. 2008

a. Capital Adequacy Ratio (Rs. in Lakhs)

Particulars	**As at 31st March 2014**	**As at 31st March 2013**
Tier I Capital	24,235.62	17,243.11
Tier II Capital	9,209.67	8,905.53
Total Capital	**33,445.29**	**26,148.64**
Total Risk Weighted Assets	2,02,177.08	1,35,578.47
Capital Ratios		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	11.99%	12.72%
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	4.56%	6.57%
Total (%)	**16.54%**	**19.29%**

b. Exposure to Real Estate sector, both Direct and Indirect (Rs. in Lakhs)

Particulars	**As at 31st March 2014**	**As at 31st March 2013**
(a) Direct Exposure (Net of Advances from Customers)		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented		
- individual housing loans up to Rs. 15 Lakhs		
- individual housing loans more than Rs. 15 Lakhs	-	-
(ii) Commercial Real Estate -	-	-
Lending secured by mortgages on commercial real estates (office building, retails space, multi-purpose commercial premises, multi -family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.).		
- Fund Based	-	-
- Non- Fund Based	-	-
(iii) Investments in Mortgage Backed Securities (MBS)		
and other securitised exposures-	-	-
a. Residential	-	-
b. Commercial Real Estate.	-	-
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies(HFC's)		

Note: The above summary is prepared based on the information available with the Company and relied upon by the auditors.

21. Additional Notes forming part of Financial Statements for year ended 31st March 2014

c. Asset Liability Management

Maturity Pattern of certain items of Assets and Liabilities as at 31st March 2014 (Rs. In Lakhs)

Time of Buckets	As on 31st March 2014	
	Liabilities (Borrowings from Banks/FI)	Advances (Net of Provisions for Non-Performing Assets)
Up to 1 Month	5,416.52	33,323.43
Over 1 to 2 Months	5,677.58	10,152.67
Over 2 to 3 Months	4,747.02	10,466.12
Over 3 months to 6 Months	26,754.09	30,064.41
Over 6 Months to 1 Year	89,437.77	45,085.45
Over 1 Year to 3 Years	59,012.50	63,050.42
Over 3 Year to 5 Years	3,131.78	5,817.87
Over 5 Years	30,138.41	26,355.30
Total	**2,24,315.67**	**2,24,315.67**

Cumulative Mismatch is significantly lower than the RBI stipulated levels of 15% and positive in all buckets up to 1 year

d. Disclosure of frauds reported during the year vide DNBS.PD.CC NO. 256/03.10.042/2011-12 dated 2 March, 2012

(Rs. In Lakhs)

	Category	Less than Rs.1 lacs		Rs.1 to Rs.5 lacs		Total	
		Count	Value	Count	Value	Count	Value
A	**Person Involved**						
	Staff	46	11.57	7	15.00	53	26.57
	Customers/Showroom Managers	-	-	1	3.37	1	3.37
	Staff and Customers	46	11.57	8	18.37	54	29.94
B	**Type of Fraud**						
	Misappropriation and Criminal breach of trust	-	-	-	-	-	-
	Fraudulent encashment / manipulation of books of accounts	46	11.57	8	18.37	54	29.94
	Unauthorised credit facility extended	-	-	-	-	-	-
	Cheating and Forgery	-	-	-	-	-	-
	Total	**46**	**11.57**	**8**	**18.37**	**54**	**29.94**

Out of the above, Rs. 20.72 has been recovered and the company has made adequate provision for the balance recoverable. The above information is prepared based on the information available with the Company and relied upon by the Auditors.

As per our report of even date
For V. SANKAR AIYAR & CO.
Chartered Accountants
ICAI Regn No. 109208W

S. Venkataraman
Partner
Membership No.23116
Chennai
June 12, 2014

For and on behalf of the Board

P. Sivaram
Director

Anupam Thareja
Whole Time Director

G. Venkatraman
Chief Executive Officer

V. Gopalakrishnan
Chief Financial Officer


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