TVS CREDIT SERVICES LIMITED

5th Annual Report 2012-2013


RTR

Board of Directors

Mr.Venu Srinivasan
Chairman

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

Audit Committee

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

Nomination and Remuneration Committee

Mr.S.Santhanakrishnan
Mr.R.Ramakrishnan
Mr.K.N.Radhakrishnan

Risk Management Committee

Mr.Anupam Theraja
Mr.S.Santhanakrishnan
Mr.R.Ramakrishnan

Asset Liability Committee

Mr.Anupam Theraja
Mr.G.Venkatraman
Mr.M.Kalyanaraman
Mr.V.Gopalakrishnan
Mr.H.Lakshmanan

Chief Executive Officer

Mr.G.Venkatraman

Registered Office

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

Auditors

Mr.V.Sankar Aiyar & Co
Chartered Accountants
41, Circular Road
United India Colony
Kodambakkam
Chennai 600 024

Financial Institution

Housing Development Finance Corporatiion Limited

Bankers

State Bank of India
State Bank of Mysore
Bank of Baroda
Canara Bank
Central Bank of India
Andhra Bank
UCO Bank
ICICI Bank Limited
Indusind Bank Limited
Corporation Bank
South Indian Bank
Syndicate Bank

Contents

Notice to the Shareholders

NOTICE is hereby given that the fifth 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 Friday, the 19th July 2013 at 2.30 p.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, 2013 and the statement of Profit and Loss of the Company for the year ended on that date, together with the directors' report and the auditors' report thereon, as presented to the meeting, be and the same are hereby approved and adopted".

(2) 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, 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 S Santhanakrishnan, 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 Mr K N Radhakrishnan, Director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company".

(5) 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 re-appointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company".

SPECIAL BUSINESS

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

"RESOLVED THAT Mr Sudarshan Venu, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT, subject to Section 17 and other applicable provisions of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force), an object clause in 'the objects incidental or ancillary to the attainment of the main objects' as contained in clause III(B) of the Memorandum of Association of the Company, be and is hereby altered in the following manner, namely by deleting the existing sub-clause 10 of clause III(B) of the Memorandum of Association of the Company."

BY ORDER OF THE BOARD

Chennai
June 21, 2013

Anupam Thareja
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 or authority shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the meeting.**

2 The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special businesses as set out in the Notice is annexed hereto.

Encl: Proxy form

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr Sudarshan Venu was appointed as an Additional Director of the Company by the Board with effect from 31st January 2013.

In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- signifying his intention to propose the candidature of Mr Sudarshan Venu, for the office of Director and to move the resolution as set out in Item No. 6 of this notice.

The Directors recommend the resolution to be approved as an ordinary resolution by the shareholders.

None of the Directors of the Company, except Mr Sudarshan Venu and Mr Venu Srinivasan, Chairman of the Company, being the relative of Mr Sudarshan Venu, is deemed to be concerned or interested in the resolution.

Item No. 7

Reserve Bank of India, vide its letter dated 29th May 2013, directed deletion of sub-clause 10 of clause III(B) of Memorandum and Articles of Association of the Company (MoA) providing for, *inter alia,* entering into partnership with any firm or corporate, which has not been permitted under Para 20A of NBF (Non-Deposit Accepting) Directions, 2007 read with circular No. DNBS.PD/CC No.214/03.02.002/2010-11 dated March 30, 2011.

Though the Company has not entered into any partnership nor contributed to the capital of any partnership firm so far, the relevant clause of MoA envisages for such an arrangement and reads as follows:

"To enter into reconstruction, partnership, joint venture or collaboration agreements or any other arrangement or to associate or deal in any other manner, with bodies corporate, firms, individuals, Central and State Government, Government or Quasi-Government concerns and other entities, both in and outside India, for the purposes that may seem conducive to the company's objects or beneficial to the interests of the company; to obtain from such entities any rights, privileges and concessions which the company may think fit or desirable to obtain and to carry out, execute, exercise and comply with such agreements, arrangements, rights, privileges and concessions."

Hence, the Board of Directors, at their meeting held on 21st June 2013, considered the amendment to be made as directed by RBI and decided to delete the said object contained under the objects "incidental or ancillary to the attainment to the main objects" in compliance with the direction of RBI.

Any amendment to MoA would require approval of the shareholders by way of a Special Resolution, in terms of Section 17 and other applicable provisions of the Companies Act, 1956.

Accordingly, the resolution is placed before the shareholders for their approval.

The directors recommend the resolution, as set out in item no. 7 of the accompanying notice, to be approved as a special resolution by the shareholders.

None of the directors is deemed to be concerned or interested in the resolution.

Inspection of documents :

The documents referred to in the notice and the explanatory statement will be available for inspection at the Registered Office of the Company between 10.00 AM and 12.00 PM on all working days except Saturdays upto the date of Annual General Meeting.

BY ORDER OF THE BOARD

Chennai
June 21, 2013

Anupam Thareja
Whole Time Director

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors take great pleasure in presenting the Fifth Annual Report on the business and operations of the Company together with the audited accounts for the year ended March 31, 2013.

1. BUSINESS AND FINANCIAL PERFORMANCE

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

(Rs. In Lakhs)

Particulars	Year ended 31-03-2013	Year ended 31-03-2012
Revenue from Operations	24,207.61	11,355.74
Other Income	352.41	342.08
Total	24,560.02	11,697.82
Finance Costs	9,252.39	4,714.50
Business Origination, Administrative & Other Expenses	14,296.87	6,695.25
Provision for bad & doubtful debts	509.54	267.71
Total	24,058.80	11,677.46
Profit / (Loss) before tax	501.22	20.36
Less: Tax expense		
- Current Tax	17.05	-
- Deferred Tax	(31.72)	(4.51)
Profit / (Loss) after tax	515.89	24.87
Balance brought forward from previous year	(1,620.35)	(1,645.22)
Surplus / (Deficit) carried to Balance sheet	(1,104.46)	(1,620.35)

The Company's overall disbursements stood at Rs.1041 Cr for the year ended March 31, 2013 as compared to Rs.574 Cr in the previous year.

The Company continued to enlarge its presence to more than 1,800 locations and financed more than 2,87,000 Two Wheeler customers of TVS Motor Company Limited (TVSM). The Company reached market leadership position in two wheeler financing for TVSM products, in both urban and rural market. The Company also financed 2,108 Used Cars and 2,008 nos under Tractor segment.

The Company's assets under management crossed Rs.1000 Cr and stood at Rs.1063 Cr as against Rs.529 Cr during the previous year. The total customer base crossed more than half a million.

The Company has invested substantially in technology both for sourcing and recovery,

which has resulted in productivity going up considerably and cumulative collection efficiency at more than 98%. The Company also has the best quality in terms of portfolio in the Two Wheeler finance industry.

The Company continues to lead the retail finance penetration of TVSM products. During the financial year 2012-13, the Company:

a. Reached market leadership position in two wheeler financing of TVSM vehicles in both urban and rural market.

b. Grown the market share amongst financiers of TVSM vehicles, which exceeded 80% in markets where TVSM has less support from banks / NBFCs, achieving an overall market share of close to 60%.

c. Drove retail finance penetration of TVSM products from 14% to as high as 32% in 24 months.

Key initiatives during the financial year have been:

a. Expansion into 250 micro markets in UP, MP, Gujarat and Rajasthan. The purpose of this initiative is to provide retail finance as the key lever to Two Wheeler sales and grow TVS Motor's market share over the medium term.

b. Expanded footprint in the East of the country.

c. Expanded retail finance availability to customers who do not have banking accounts/ habits in North India, thereby expanding the target market for potential two wheeler buyer.

d. Diversified into Used Car and Tractor financing.

Total income during FY 2013 increased to Rs. 245.60 Cr from Rs. 116.98 Cr during FY 2012, an increase of 210 % over the previous year.

The Profit Before Tax for the year was Rs. 5.01 Cr as against Rs. 0.20 Cr during the previous year FY 2012.

In line with its prudent approach, the Company continues to strengthen its provisioning norms beyond the Reserve Bank of India regulation by accelerating provisioning to an early stage of delinquencies based on the past experience and emerging trends.

Industry and Economic Scenario

The Indian Economy continued to moderate during fiscal 2013 on the back of adverse global conditions and domestic macro-economic imbalances. While demand-side inflation pressures reduced, high consumer price inflation along with the current account deficit (CAD) well above sustainable levels capped the space for monetary policy to support growth.

India's gross domestic product (GDP) dropped to 5.0% in FY 2013 from 6.2% a year ago and 9.3% in FY 2011. Inflation, measured by the Wholesale Price Index (WPI), remained above 7.0% between April 2012 and January 2013, and subsequently eased to 6.0% in March 2013.

The moderation in inflation was driven by the manufactured products segment where inflation increased from 5.3% in April 2012 to 6.5% in September 2012 before easing to 4.1% in March 2013. Inflation in food articles remained high through the year with the average inflation at 9.9% in fiscal 2013 compared to 7.3% in fiscal 2012. Fuel inflation which initially eased picked up in the later part of the year due to hike in petrol prices and partial deregulation of diesel prices. Core inflation (defined as manufactured products excluding food products) reduced from 5.0% in March 2012 to 3.4% in March 2013. Average inflation for fiscal 2013 was 7.3% compared to 8.9% in fiscal 2012.

Reserve Bank of India's policy initiatives in the second half of the financial year helped in reducing the liquidity pressure and softening the interest rates and thereby reducing the borrowing cost.

During fiscal 2013, the repo rate was reduced by 100 basis points from 8.50% to 7.50% with a 50 basis points cut in April 2012 followed by a 25 basis points reduction each in January 2013 and March 2013. The Cash Reserve Ratio (CRR) was reduced by 75 basis points during the year from 4.75% to 4.00%, with a 25 basis point cut each effective in September 2012, November 2012 and February 2013. Further, in August 2012, the Statutory Liquidity Ratio was reduced by 100 basis points from 24.0% to 23.0%.

Against this backdrop, a recovery in 2013-14 is likely to be slow-paced. It would require further all-round efforts that include initiatives to remove structural impediments and improve investments.

The year 2012-13 has been a challenging year for the Indian Auto Industry as the cumulative impact of diverse factors such as slowdown in economic activity, high interest rates, rising fuel and vehicle prices dampened consumer sentiments. As the economy slowed down, most of the segments in the auto space reported either a tepid growth or a decline in volumes. The demand environment for the two wheeler industry remained subdued in the FY 2013. In spite of some sort of momentary spurt owing to festive demand during third quarter of FY 2013, the two wheeler sales growth remained around 4 per cent during April-February period of FY 2013. The ungeared scooter segment has been witnessing robust growth trend since last 4-5 years.

Industry estimates marginal improvement in the economic scenario and expects the two wheeler industry to grow by around 8-9 per cent in FY 2014. The growth would be aided by moderation in inflation post first half along with the assumption of normal monsoon season. Industry foresees demand from rural and semi-urban areas would drive the two wheeler demand growth in near to medium term period. Tractor segment is expected to grow at 8-9% (CAGR) over the next five years with correction of cyclical headwinds. The growth shall be contingent on rabi crop inflows, performance of south-west monsoon, and recovery in non-farm demand. Government of India (GOI) remains committed towards rural development and agri-mechanisation besides other factors like scarcity of farm labour, healthy credit availability, moderate penetration and shortening replacement cycle, continue to spurt demand for tractors.

Non-Banking Finance Companies (NBFCs) have emerged as important financial intermediaries particularly for the small scale and retail sectors. With simplified sanction procedures, flexibility, low operating cost and focused product presence, NBFCs have an edge over banks in meeting the credit needs of customers.

In FY 2013, Retail Asset Financing NBFC's delivered strong growth despite the regulatory changes and challenging macro economic environment. Post 2009, the Retail Asset Financing Industry has witnessed a significant shift in terms of the market share moving in favour of retail NBFCs. Although, Retail Auto Loans are available from practically every bank and non-bank (including captive NBFCs), the market is not easy to operate in as mere physical presence does not suffice, which has also been the reason for a meaningful shift in market share of NBFCs. The rural income and consumption patterns are going through a structural change, which has been a major driving force behind the strong demand from this segment. Growth and asset quality are the key challenges in the Non Banking Retail Financing domain.

2. MARKET POTENTIAL AND BUSINESS PLANS

The Company with its nationwide distribution network and expertise built in managing rural and semi-urban class, continued to diversify, to emerge as a strong player in retail financing space. A largely locally recruited on rolls man power and management of asset quality risks have become the key drivers of its business model.

Going forward, the Company plans to:

a. Be one of the key instruments of growth for TVSM by taking the retail finance penetration levels to 35% throughout the country;

b. Ensure balanced growth and long term profitability by continuing its product diversification strategy in two ways given that the two-wheeler industry is showing signs of slowdown/short term stagnation;

c. Develop and establish itself initially as a single brand financier of TAFE and EICHER tractors and also fund used tractors to enable primary sales for TAFE & Eicher; and

d. Develop and establish itself as a financier of reasonable size in the finance of Used Passenger Cars and Used CV.

The purpose of the strategy outlined above is to:

a. Ensure an urban, semi urban, rural mix in the customer base and hence insuring the sustained profitability of the Company over the short and long term;

b. Have short and longer term assets to ensure stability to the Balance Sheet;

c. Have large and small ticket loans to balance risk and returns;

d. Leverage on the highly geographically distributed network established; and

e. Leverage proven capacity to approve loans, verify customer credentials and collect unpaid monies in a small ticket business, which can be used effectively in larger ticket businesses.

3. DIVIDEND

As the Company still has a carry forward loss of Rs.11.04 Cr, the directors do not recommend any dividend for the year ended 31st March 2013.

4. ISSUANCE OF EQUITY SHARES

During the year under review, the board of Directors issued and allotted 64,86,500 equity shares of Rs.10/- each at a premium of Rs.27/- per share aggregating to Rs.24 Cr on 27th March 2013 to TVS Motor Services Limited, holding company, in terms of section 81(1A) and other applicable provisions of the Companies Act, 1956.

The paid up capital of the Company accordingly stood increased from Rs. 82.03 Cr (8,20,25,000 equity shares of Rs.10/- each) to Rs.88.51 Cr (8,85,11,500 equity shares of Rs.10/- each) as on March 31, 2013.

5. DEPOSITS

The Company has not accepted any deposits from the public during the year ended 31st March 2013. 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.

6. FUNDING

With the initial capital of Rs.160.50 Cr and subsequent equity infusion of Rs. 24 crore in FY 2013, participation from Banks and Financial Institution in the form of equity and Tier 2 capital (Subordinated Debt), the Company has a strong Capital Adequacy Ratio (CAR). The CAR, as on 31st March 2013, stood at 19.29%.

The Company has tied up working capital limit of Rs.1100 Cr with various banks and institutions which would enable it to meet the 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 [ICRA] 'A' denoting a stable outlook for its borrowing programs from banks and financial institutions and A1 for its short term programme. 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.

7. DIRECTORS

Mr Sudarshan Venu, who was appointed as an Additional Director, will vacate his office in terms of Section 260 of the Act at the ensuing annual general meeting and is eligible for appointment, as a Director of the Company. In terms of Section 257 of the Act, a notice has been received from a member of the Company signifying the proposal for appointing him as a Director, at the ensuing annual general meeting.

In terms of Articles of Association, Mr T K Balaji, Mr S Santhanakrishnan and Mr K N Radhakrishnan, directors retire at the ensuing annual general meeting of the Company, and being eligible, offer themselves for reappointment.

8. RISK MANAGEMENT COMMITTEE (RMC)

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 constituted a Risk Management Committee. 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.

This Committee meet periodically and oversee the risk management activities of the Company, approve appropriate risk management, parameters, identification, credit risk management policies and tolerance levels, procedures and measurement methodologies across the Company as well as identification and management of strategic business risks of the Company.

9. INTERNAL CONTROL SYSTEMS

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.

10. CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years and lays down strong emphasis on transparency, accountability and integrity.

A separate section on Corporate Governance of the Company regarding compliance with the conditions of Corporate Governance as stipulated under RBI guidelines forms part of this Annual Report.

11. ADHERENCE TO RBI NORMS & 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 19.29% which is well above the prescribed minimum of 15% by RBI.

As a prudent practice, the Company makes additional provisioning for non-performing assets at a faster rate than that prescribed by RBI. 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, from time to time.

12. AUDITORS

The statutory auditors of the Company, M/s V Sankar Aiyar & Co., Chartered Accountants, Mumbai retire at the ensuing annual general meeting of the Company and are eligible for reappointment. A certificate under section 224(1B) of the Companies Act 1956 has been received from them.

13. AUDIT COMMITTEE

The composition of the audit committee is in accordance with the requirements of Section 292A of the Companies Act 1956.

As on date, the Audit Committee has the following directors as its members, namely 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.

14. 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, reconstituted by the board at its meeting held on 29th September 2012 consists of M/s. Anupam Thareja, Whole Time Director, R Ramakrishnan, Director, S Santhanakrishnan, Director, G Venkatraman, Chief Executive Officer, V Gopalakrishnan, Chief Financial Officer and M Kalyanaraman, Chief Operating Officer as its members.

15. 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, 2013 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 basis.

16. 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 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 — Venu Srinivasan
June 21, 2013 — Chairman

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.	AnupamThareja	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	Nominee 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.	AnupamThareja	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	WholeTime Director
2.	G Venkatraman	Chief Executive Officer
3.	M Kalayanaraman	Chief Operating Officer
4.	V Gopalakrishnan	Chief Financial Officer
5.	H Lakshmanan	Special Director

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 18th July 2012
	Held	Attended	Held	Attended	
Venu Srinivasan	4	3	3	Not a member	No
Anupam Thareja	4	4	3	Not a member	Yes
T K Balaji	4	1	3	Not a member	No
R Ramakrishnan	4	4	3	3	No
Sudarshan Venu*	4	1	3	Not a member	No
S Santhanakrishnan	4	4	3	3	No
P Sivaram	4	3	3	Not a member	No
K N Radhakrishnan	4	3	3	2	No
V Srinivasa Rangan	4	4	3	3	N.A

** Appointed as an Additional Director of the Company w.e.f 31st January 2013 ;*

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 2013. 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 2012-13 are as follows:-

(Rupees)

S.No.	Name of the directors(M/s.)	Sitting Fees
1.	Venu Srinivasan	7,000
2.	Anupam Thareja	-
3.	T K Balaji	2,250
4.	R Ramakrishnan	27,500
5.	Sudarshan Venu	6,750
6.	S Santhanakrishnan	23,000
7.	P Sivaram	7,000
8.	K N Radhakrishnan	11,750
9.	V Srinivasa Rangan	16,250

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 PERIOD ENDED 31ST MARCH 2013

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 2013 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. 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 2013

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. As required by the Companies (Auditor's Report) Order, 2003, as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said 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 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013 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

Chennai
June 21, 2013

S. Venkataraman
Partner
M.No. 23116

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. The company does not have any raw materials, spare parts and finished goods. Hence 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. 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 301 of 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 2013 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 provisions of clause 4 (x) of the Order are not applicable to the Company since this is the fifth year from the date of registration. The Company has not incurred cash loss during the financial year as well as 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. 14564 Lakhs 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 or by the Company has been noticed or reported during the year."

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

S. Venkataraman
Partner
M.No. 23116

Chennai
June 21, 2013

BALANCE SHEET AS AT MARCH 31, 2013

(Rs. In Lakhs)

Particulars	Note No	As at 31st March 2013	As at 31st March 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	8,851.15	8,202.50
Reserves and Surplus	3	8,391.96	6,124.72
		17,243.11	14,327.22
Non-Current Liabilities			
Long Term Borrowings	4	25,470.36	21,863.64
Other Long Term Liabilities	5	6,142.11	1,811.05
Long Term Provisions	6	678.63	161.31
		32,291.10	23,836.00
Current Liabilities			
Short Term Borrowings	4	90,669.05	28,451.50
Trade Payables	7	815.18	337.64
Other Current Liabilities	8	11,423.29	7,082.28
Short Term Provisions	6	2,788.30	2,751.92
		1,05,695.82	38,623.34
Total		**1,55,230.03**	**76,786.56**
ASSETS			
Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	9	3,248.14	644.60
(ii) Intangible Assets	9	191.41	60.36
		3,439.55	704.96
Long Term Loans and Advances	10	265.95	386.73
Other Non Current Asset (Vide Additional Note No.21.5)	11	22,017.00	24,500.00
Receivable from Financing Activities	12	38,450.80	14,838.29
		60,733.75	39,725.02
Deferred Tax Asset (net) - (Vide Additional Note No. 21.7)		33.90	2.19
Current Assets			
Trade Receivables	13	209.82	59.36
Cash and Cash Equivalents	14	16,543.65	4,422.12
Short Term Loans and Advances	10	1,075.82	676.99
Receivable from Financing Activities	12	73,193.54	31,194.26
Other Current Assets (Accrued Interest)		-	1.66
		91,022.83	36,354.39
Total		**1,55,230.03**	**76,786.56**
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
ICAI Regn No. 109208W

P. Sivaram
Director

Anupam Thareja
Whole Time Director

S.Venkataraman
Partner
Membership No.23116

Chennai
June 21, 2013

G. Venkatraman
Chief Executive Officer

V. Gopalakrishnan
Chief Financial Officer

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

(Rs. In Lakhs)

Particulars	Note No	For the year ended 31st March 2013	For the year ended 31st March 2012
INCOME			
Revenue from Operations	15	24,207.61	11,355.74
Other Income	16	352.41	342.08
Total		**24,560.02**	**11,697.82**
EXPENSES			
Finance Costs	17	9,252.39	4,714.50
Business Origination and Recovery Cost		4,355.79	1,930.67
Employee Benefits Expense	18	6,673.39	2,918.68
Depreciation and Amortization Expense	9	337.42	183.38
Other Expenses	19	2,930.27	1,662.52
Provision for Bad and Doubtful Debts	20	509.54	267.71
Total		**24,058.80**	**11,677.46**
Profit Before Tax		501.22	20.36
Tax Expense:			
Current Tax		204.00	-
MAT Credit Entitlement		(186.95)	-
Deferred Tax Liability/(Asset)		(31.72)	(4.51)
Profit after tax for the year		515.89	24.87
Earning Per Equity Share:			
Basic Earnings per Share in Rs.		0.63	0.03
Diluted Earnings per Share in Rs.		0.63	0.03
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 and on behalf of the Board

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

P. Sivaram
Director

Anupam Thareja
Whole Time Director

S.Venkataraman
Partner
Membership No.23116

Chennai
June 21, 2013

G. Venkatraman
Chief Executive Officer

V. Gopalakrishnan
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31ST, 2013

(Rs. In Lakhs)

Particulars	For the year ended 31st March 2013		For the year ended 31st March 2012	
CASH FLOW FROM OPERATIONS				
Profit Before Tax		501.22		20.36
Adjustments for				
Depreciation	337.42		183.38	
Provision for bad and doubtful debts	509.54		267.71	
Loss on Sale of Foreclosures	37.39		47.57	
Provision for Doubtful Assets no longer required and written back	(0.18)		(279.87)	
Loss on sale of Assets	-		0.70	
Discard of Fixed Assets	-		14.59	
Provision for compensated absence	44.35		11.32	
Financing Charges	9,252.39		4,722.47	
Interest /Dividend received	(350.62)		(17.01)	
		9,830.29		4,950.86
Operating Profit Before Working Capital changes		10,331.51		4,971.22
Adjustments for				
(Increase)/Decrease in Receivables under financial activities (NBFC)	(65,649.17)		(31,578.28)	
(Increase)/Decrease in Trade Receivables	(150.46)		(48.03)	
(Increase)/Decrease in Loans & Advances	(113.70)		(164.66)	
(Increase)/Decrease in Other Non Current Assets	2,483.00		300.00	
(Increase)/Decrease in Other Current Assets	-		0.02	
Increase/(Decrease) in Trade payables & Other Liabilities	9,017.00		6,162.70	
		(54,413.33)		(25,328.25)
Financing Charges paid	(9,119.78)		(4,585.55)	
Income Tax Paid	(181.41)		(143.07)	
		(9,301.19)		(4,728.62)
Net Cash used in Operation - (A)		(53,383.01)		(25,085.65)

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 21, 2013

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31ST 2013

(Rs. In Lakhs)

Particulars	For the Year ended 31st March 2013		For the Year ended 31st March 2012	
Cashflow from Investing Activity				
(Increase)/Decrease in Bank deposit	1,103.91		(3,215.92)	
Purchase of Fixed Assets	(3,072.02)		(586.20)	
Proceeds from Sale of Fixed Assets	-		4.80	
Interest /Dividend received	352.28		16.42	
Net Cash (used in) Investing Activity - (B)		(1,615.83)		(3,780.90)
Cashflow from Financing Activity				
Proceeds from issue of Share Capital	648.65		500.00	
Share Premium Received	1,751.36		500.00	
Decrease in Share Application	-		(1,000.00)	
Proceeds/(Repayment) of Term Loan from Bank	3,606.73		3,538.63	
Increase/(Decrease) in Loan from Others	-		(107.60)	
Increase/(Decrease) in Short term Borrowings	62,217.54		24,201.50	
Net Cash from financing activity - (C)		68,224.28		27,632.53
Net Increase/(Decrease) in Cash and cash equivalents (A+B+C)		**13,225.44**	**-**	**(1,234.02)**
Cash and cash equivalents at the beginning of the year		1,206.20		2,440.22
Cash and cash equivalents at the end of the year		14,431.64		1,206.20
		13,225.44		**(1,234.02)**
Note:				
Cash and cash equivalents at the end of the year		16,543.65		4,422.12
Less:Bank Deposits under Lien		2,112.01		3,215.92
		14,431.64		**1,206.20**

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

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 21, 2013

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

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 Asset Finance Company (AFC).

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).

All assets & liabilities are classified as Current and Non Current based on the operating cycle which has 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 there to. 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 seller.

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%.

1. Significant Accounting Policies forming part of Financial Statements

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 30% per annum.

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. Service charges like processing fee, documentation charges 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. Net interest spread on receivables assigned is recognized on accrual basis over the tenor of the assignment contract.

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

vi. 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

(i) Un-matured Income

(ii) 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 Assets. Beside this, the Company creates provision for standard and non performing assets 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 of Standard Assets and Non Performing Assets.

1. Significant Accounting Policies forming part of Financial Statements

g. Securitization/Assignment of Receivables

Receivables under Financing Activity assigned to Assignees are excluded from the total value of receivables as required under the RBI Guidelines on securitization of Standard Assets.

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.

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 account, 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 NBFC 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.

1. Significant Accounting Policies forming part of Financial Statements

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.

2. SHARE CAPITAL

(Rs. In Lakhs)

Sl. No.	Description	As at 31st March 2013	As at 31st March 2012
a	**Authorised Share Capital:**		
	150,000,000 Equity Shares of Rs.10 each 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:**		
	8,85,11,500 number of Equity shares of Rs.10 each (Previous year 8,20,25,000 Equity Shares of Rs.10 each)	**8,851.15**	**8,202.50**
c	**Par Value per Share**	Rs.10 each	Rs.10 each
d	**Number of equity shares at the beginning of the year**	8,20,25,000	7,70,25,000
	Add: Preferential Allotment made during the year	64,86,500	50,00,000
	Number of equity shares at the end of the year	8,85,11,500	8,20,25,000
e	**Equity Shares held by Holding Company and its associates**		

	Particulars	No. of Shares	% of Shares	No. of Shares	% of Shares
	Holding Company - TVS Motor Services Limited	8,00,11,440	90.40	7,35,24,940	89.64
f	Number of shares held by share holders more 5% of total shares				
	TVS Motor Services Limited	8,00,11,440	90.40	73,524,940	89.64
	Housing Development Finance Corporation Limited	50,00,000	5.65	5,000,000	6.10
	PHI Research Private Limited	35,00,000	3.95	3,500,000	4.27

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 have a lock in period as per the share subscription agreement entered into with the respective share holders.

c) Under the Shareholders agreement executed with Phi Research Private Ltd., the Company has agreed to allot shares for consideration other than cash, towards providing strategic and operational advisory service in connection with Non Banking Finance business, on achieving certain levels of Profit Before Tax (PBT), agreed between them, from the financial year commencing from 2012-13 upto 2014-15, (wherein the financial year is to be reckoned as that beginning from 1st October and ending 30th September).

3. RESERVES AND SURPLUS

(Rs. In Lakhs)

	Description	As at 31st March 2013		As at 31st March 2012	
		Amount	Amount	Amount	Amount
a	Share Premium Reserve				
	As per Last Balance Sheet	7,745.07		7,245.07	
	Add: Premium received on Preferential Allotment	1,751.36		500.00	
	Closing balance		9,496.43		7,745.07
b	Statutory Reserve				
	As per Last Balance Sheet	-		-	
	Add: Additions During the year	108.15		-	
	Closing balance		108.15		-
c	Surplus/(Deficit) from Profit & Loss account				
	As per Last Balance Sheet	(1,620.35)		(1,645.22)	
	Add: Profit for the year	515.89		24.87	
	Less: Transfer to Statutory Reserve - Previous Year	4.97		-	
	Less: Transfer to Statutory Reserve - Current Year	103.18		-	
	Closing balance		(1,212.62)		(1,620.35)
			8,391.96		6,124.72

Statutory revenue under Sec.45IC of chapter III B of RBI Act 1934 is crated for the year ended 31st March 2012 during the current year.

4. BORROWINGS

(Rs. In Lakhs)

Description	NON CURRENT		CURRENT	
	As at 31st March 2013	As at 31st March 2013	As at 31st March 2013	As at 31st March 2013
LONG TERM				
From Bank/Other Parties (OP)				
Sub - Ordinated Debt - Unsecured	10,800.00	10,800.00	-	-
Senior Debt - Unsecured	1,667.00	1,667.00	-	-
Term Loan - from Bank / Other Parties (OP)				
Term Loans from Financial Institution (NBFC) - Secured	5,033.00	5,033.00	-	-
Term Loans from Bank - Secured	7,970.36	4,363.64	5,302.36	2,461.36
	25,470.36	21,863.64	5,302.36	2,461.36
The above amount includes				
Secured Borrowings	13,003.36	9,396.64	5,302.36	2,461.36
Unsecured Borrowings	12,467.00	12,467.00	-	-
Amount disclosed under the head "Other Current Liabilities"	-	-	(5,302.36)	(2,461.36)
	25,470.36	21,863.64	-	-

Description	NON CURRENT		CURRENT	
	As at 31st March 2013	As at 31st March 2013	As at 31st March 2013	As at 31st March 2013
Short Term				
Working Capital Demand Loan and Cash Credit from Banks - Secured				
- From Banks	-	-	79,669.05	28,451.50
- From Financial Institution (FI)	-	-	11,000.00	-
	-	-	**90,669.05**	**28,451.50**
The above amount includes				
Secured Borrowings	-	-	90,669.05	28,451.50
	-	-	**90,669.05**	**28,451.50**

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 FI for Senior Debt amounting to Rs.1,667 lakhs (Previous Year Rs.1,667 lakhs)

c Secured term loan received from Financial Institution, Rs.5,033 lakhs (Previous Year Rs.5,033 lakhs) is secured against hypothecation of receivables under financing activity fo the Company and further secured by equitable mortgage of portion of land of Holding Company.

d Term loan from Bank of Rs.13,272.73 lakhs (including Current and Non Current) (Previous Year Rs.6,825 lakhs) is secured against hypothecation of receivables under the financing activity of the Company.

e Working Capital Demand Loan and Cash credit of Rs.90,669.05 lakhs (Previous Year Rs.28,451.50 lakhs) is secured by hypothecation of receivables under the financing activity of the Company.

2 Repayment Terms

a Sub - Ordinated Debt from FI amounting to Rs.5,800 lakhs repayable in 4 equal annual installments of Rs.1,450 lakhs each, starting from June 30, 2017 and ending on June 30, 2020.

b Sub - Ordinated debt from Bank amounting to Rs.2,500 lakhs repayable in 4 equal annual installments of Rs.625 lakhs each, starting from February, 2017 and ending on Feb, 2020.

c Sub - Ordinated debt from Bank amounting to Rs.2,500 lakhs repayable as bullet repayment at the end of the Tenure i.e., July 2017.

d Senior debt amounting to Rs.1,667 lakhs and Term Loan from FI amounting Rs.5,033 lakhs aggregating to Rs.6,700 lakhs repayable in 4 equal annual installments of Rs.1,675 lakhs each, starting from June 30,2014 and ending on June 30, 2017.

e Term Loan from a Bank amounting to Rs.10,000 lakhs of which Rs.2,727.27 lakhs have been repaid till March 2013 and the balance of Rs. 7,272.73 lakhs repayable in 8 equal quarterly installments of Rs. 909.09 lakhs each, till February 2015.

f Term Loan from a Bank amounting to Rs.10,000 lakhs of which Rs. 6,000 lakhs have been drawn till March 2013 and repayable of Rs. 833.33 Lakhs for the first 8 quarters and Rs. 833.34 Lakhs for the last 4 quarters, starting from September 2013 to June 2016.

g Working Capital Demand Loan and Cash Credit from banks/Financial Institutions will be repaid/renewed within one year.

5. OTHER LONG TERM LIABILITIES

(Rs. In Lakhs)

Description	As at 31st March 2013	As at 31st March 2012
Others		
- Security Deposit	234.74	135.78
- Income received in Advance	134.05	33.41
- Advance received from Customers (Borrowers)	4,929.77	1,493.97
- Other Liabilities - (Advance Insurance premium collected from Borrowers)	843.55	147.89
	6,142.11	**1,811.05**

6. PROVISION

(Rs. In Lakhs)

Description	LONG TERM		SHORT TERM	
	As at 31st March 2013	As at 31st March 2012	As at 31st March 2013	As at 31st March 2012
Provision for Employee Benefits				
- Compensated Absences	81.09	36.11	4.26	4.90
Others				
As per RBI Norms				
Provision for Standard Assets	83.47	37.04	165.19	71.50
Provision for Sub Standard Assets	18.33	-	2.72	2.08
Provision for Doubtful Assets	3.44	-	16.54	-
Provision for Loss Assets	-	-	2,575.03	2,575.21
As per Company Norms				
Provision for Standard Assets/ Non Performing Assets as per Company Norms	450.34	88.16	19.80	98.23
Provision against the underlying assets covered by Cash Collateral	41.96	-	4.77	-
	678.63	**161.31**	**2,788.31**	**2,751.92**

Provision represents provisions created:

a As per RBI Prudential Norms in respect of Standard, Sub Standard and Loss Assets referred to under Note No.20

b As per Company Policy, additional provision created in respect of overdue receivables as mentioned under Note No.20. This includes provision against the underlying assets covered under cash collateral with a Bank.

c Provision for loss assets represents the balance of provisions taken over from TVS Finance and Services Limited as part of Business Transfer Agreement dated 21st April 2010.

Changes in Provisions

(Rs. In Lakhs)

Description	Provision as on 01.04.2012	Additions during the year	Reversals during the year	Net amount debited in P&L	Provision as on 31.03.2013
As per RBI Norms					
Provision for Standard Assets	108.55	248.65	108.55	140.11	248.65
Provision for Sub Standard Assets	2.08	21.05	2.08	18.97	21.05
Provision for Doubtful Assets	-	19.97	-	19.97	19.97
Provision for Loss Assets taken over from TVSFS	2,575.21	-	0.18	-	2,575.03
As per Company Norms					
Provision for Standard Assets - Retained	186.38	470.14	186.38	283.76	470.14
Provision for Standard Assets - Assigned	-	46.73	-	46.73	46.73
	2,872.22	**806.54**	**297.19**	**509.54**	**3,381.57**

7. TRADE PAYABLE

(Rs. In Lakhs)

Description	As at 31st March 2013	As at 31st March 2012
TRADE PAYABLE		
- Outstanding dues to Micro, Medium & Small Enterprises	-	-
- Others	815.18	337.64
	815.18	337.64

8. OTHER CURRENT LIABILITIES

(Rs. In Lakhs)

Description	As at 31st March 2013	As at 31st March 2012
OTHER CURRENT LIABILITIES		
- Current maturities of Long Term Debts	5,302.36	2,461.36
- Interest Accrued and due on Loans (@)	298.18	165.57
- Income received in Advance	92.43	74.24
- Advance received from Borrowers	3,795.24	2,830.42
- Employee Related Liabilities	554.82	175.00
- Security Deposits	18.92	17.35
Other Payable		
- Collections in respect of de-recognised assets (refer Note No.21.10)	599.88	895.06
- Advance Insurance premium collected from Borrowers (#)	562.36	386.99
- Statutory Dues	161.01	50.62
- Other Liabilities (*)	38.09	25.68
Total Other Current Liabilities	**11,423.29**	**7,082.29**

@ Interest accrued and due on loans represent the interest payment provided, for which funds made available with banks but appropriated subsequent to year end.

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

9. FIXED ASSETS

(Rs. In Lakhs)

S.No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1st Apr 12	Additions 2012-13	Deductions 2012-13	As at 31st Mar 13	As at 1st Apr 12	For the year 2012-13	Deductions 2012-13	Total as at 31st Mar 13	As at 31st Mar 13	As at 31st Mar 12
	Tangilble Assets										
1	Land	30.17	2,483.00	-	2,513.17	-	-	-	-	2,513.17	30.17
2	Building	45.00	-	-	45.00	0.77	0.73	-	1.51	43.49	44.23
3	Furniture & Fixtures	322.30	84.29	-	406.59	64.65	102.89	-	167.54	239.05	257.65
4	Office Equipments	176.73	178.79	-	355.52	30.10	78.72	-	108.83	246.69	146.62
5	Vehicles	0.67	-	-	0.67	0.19	0.07	-	0.26	0.41	0.48
6	Computers	266.58	138.84	-	405.42	101.14	98.96	-	200.09	205.33	165.45
	Tangible Assets - TOTAL	841.45	2,884.92	-	3,726.37	196.85	281.37	-	478.23	3,248.14	644.60
	Previous Year	337.73	527.59	23.87	841.45	47.85	152.79	3.79	196.85	644.60	289.88

(Rs. In Lakhs)

S.No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1st Apr 12	Additions 2012-13	Deductions 2012-13	As at 31st Mar 13	As at 1st Apr 12	For the year 2012-13	Deductions 2012-13	Total as at 31st Mar 13	As at 31st Mar 13	As at 31st Mar 12
	Intangible Assets										
1	Computer Software	116.50	187.09	-	303.59	56.14	56.04	-	112.18	191.41	60.36
	Intangible Assets - TOTAL	116.50	187.09	-	303.59	56.14	56.04	-	112.18	191.41	60.36
	Previous Year	57.89	58.61	-	116.50	25.55	30.59	-	56.14	60.36	32.34

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

10. Loans And Advances - Unsecured (Unless Other Wise Stated), Considered Good

(Rs. In Lakhs)

Description	LONG TERM		SHORT TERM	
	As at 31st March 2013	As at 31st March 2012	As at 31st March 2013	As at 31st March 2012
Capital Advances	3.90	47.00	-	-
Balance with Excise Department	-	-	69.29	1.35
Others:				
Advance Tax/Tax Deducted at Source - (Net of Provision)	-	-	194.33	226.60
MAT Credit Entitlement	-	-	186.96	-
Prepaid Expenses	153.05	246.63	372.42	285.06
Rent Advance	109.00	93.10	64.56	61.49
Staff Advance	-	-	128.10	40.48
Deposit with Service Providers	-	-	51.72	31.36
Vendor Advance	-	-	8.44	30.64
Total	265.95	386.73	1,075.82	676.98
Secured	-	-	-	-
Unsecured	265.95	386.73	1,075.82	676.98
Total	265.95	386.73	1,075.82	676.98

11. Other Non Current Assets (considered Good)

(Rs. In Lakhs)

Description	LONG TERM	
	As at 31st March 2013	As at 31st March 2012
Others - Receivable from Holding Company towards Sale of Investments (vide Note No.21.5)	22,017.00	24,500.00
Total	**22,017.00**	**24,500.00**
Secured	10,062.00	12,400.00
Unsecured	11,955.00	12,100.00
Total	**22,017.00**	**24,500.00**

12. Receivables from Financing Activity

(Rs. In Lakhs)

Description	NON - CURRENT		CURRENT	
	As at 31st March 2013	As at 31st March 2012	As at 31st March 2013	As at 31st March 2012
Secured				
Automobile & Other Financing	38,450.80	14,838.29	69,926.30	28,454.88
Instalments due from borrowers	-	-	3,267.24	2,739.38
	38,450.80	**14,838.29**	**73,193.54**	**31,194.26**
Of the above :				
Considered Good	38,296.84	14,817.32	70,578.36	28,600.79
Others - Non Performing Assets (as per RBI Prudential Norms)				
Sub Standard Assets	148.85	20.97	23.65	18.26
Doubtful Assets	5.11	-	16.50	-
Loss Assets	-	-	2,575.03	2,575.21
	38,450.80	**14,838.29**	**73,193.54**	**31,194.26**

a The stock of loan includes 1168 nos (Previous year 1454 nos) repossessed vehicles as at Balance Sheet date.

b Automobile Finance is secured by hypothecation of vehicles supported by Registration Certificate book issued by Regional Transport Officer and undertaking given by the borrower to register the vehicle with RTO. In respect of 1,91,162 (Previous year - 52,576) vehicles as at Balance Sheet date with Receivables value of Rs.52,451.95 lakhs (Previous year Rs.15,334.28 lakhs), registration is in process or registration information is not available.

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.

e Others - Non Performing Assets (As per RBI Prudential Norms) represents advances falling under doubtful category under schedule VI of Companies Act, 1956.

13. Trade Receivables - Unsecured Considered good

(Rs. In Lakhs)

Description	As at 31st March 2013	As at 31st March 2012
- Due for a period exceeding six months from the Due dates	-	-
- Others	209.82	59.36
	209.82	**59.36**

14. Cash and Cash Equivalents

(Rs. In Lakhs)

Description	As at 31st March 2013	As at 31st March 2012
Balances with Banks		
- In Current Account	13,865.38	1,206.20
- In Fixed Deposits	-	-
Cheques, Drafts on Hand *	43.21	-
Cash on Hand *	523.05	-
Other Bank balances		
- In Fixed Deposits as Cash Collateral towards Assets de-recognised on assignment of receivables	2,112.01	3,215.92
	16,543.65	**4,422.12**

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

a Other Bank balances represents margin money or security deposit of Rs.2,112.01 (Previous Year - Rs. 3,215.92 Lakhs) made.

b Of the above, the balance that does not meets the definition of cash and cash equivalents as per AS 3 cashflow statement is Rs.2,112.01 Lakhs (Previous Year - Rs.3,215.92 Lakhs).

c Balance with banks on current account includes amount collected in respect of assets de-recognised on account of assignment of receivables pending remittance to assignee (Bank) - Rs.598.88 lakhs (Previous Year - Rs.895.06 Lakhs).

15. Revenue from Operations

(Rs. In Lakhs)

Description	Year ended 31st March 2013	Year ended 31st March 2012
Income from Financing Activity		
(i) Interest		
- Automobile & Other Finance	16,885.60	6,844.63
(ii) Other Operating Revenue		
- Automobile & Other Finance		
- Processing Fee	5,502.89	4,018.98
- Service Charges	911.20	282.02
- Insurance Service Income	907.92	210.11
	24,207.61	**11,355.74**

16. Other Income

(Rs. In Lakhs)

Description	Year ended 31st March 2013	Year ended 31st March 2012
Interest Income		
on Deposits	341.90	16.42
on Staff Advance	8.72	0.59
Provision for Doubtful Assets no longer required and written back*	0.18	279.87
Other Non Operating Income	1.60	45.20
	352.40	**342.08**

*Includes Rs.0.18 lakhs, the recovery made out of loss assets taken over from TVS Finance and Services Limited.

17. Finance Cost

(Rs. In Lakhs)

Description	Year ended 31st March 2013	Year ended 31st March 2012
Interest Expenses	7,713.97	4,394.25
Discount on Commercial Papers	1,034.33	-
Others		
Amortisation of Line of credit charges	206.49	190.63
Bank charges	297.61	129.63
	9,252.40	**4,714.51**

18. Employee Benefit Expenses

(Rs. In Lakhs)

Description	Year ended 31st March 2013	Year ended 31st March 2012
Salaries and Allowances	5,885.40	2,547.02
Contribution to Provident and other funds	491.47	202.96
Staff Welfare	296.52	168.71
	6,673.39	**2,918.69**

19. Other Expenses

(Rs. In Lakhs)

Description	Year ended 31st March 2013	Year ended 31st March 2012
Rent @	316.40	245.71
Repairs and Maintenance - Building	20.12	18.08
Repairs and Maintenance - other assets	215.27	111.35
Insurance	25.14	10.46
Printing and Stationery	255.42	181.89
Travelling and Conveyance	790.32	427.17
Communication expenses	638.59	351.65
Rates and Taxes	76.39	54.38
Payment to Auditor		
Statutory Audit	6.80	4.50
Tax Audit	2.00	0.50
Certification	3.82	1.30
Reimbursement of Expenses	0.61	0.51
Directors' Sitting Fees	1.15	0.83
Consultancy Fees	439.69	156.62
Electricity Charges	52.91	37.61
Books and Periodicals	10.13	0.86
Discard of Fixed Assets	-	14.59
Loss on Sale of Assets (Net)	-	0.70
Donation	5.00	-
Loss on Foreclosures	37.39	12.75
Other expenses	33.11	31.07
	2,930.26	**1,662.53**

@ Disclosure requirement under AS 19 - Accounting for leases:

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	2012-13	2011-12
Less than 1 year	145.52	152.97
Between 1 year and 5 years	608.93	649.71
More than 5 years	96.92	539.40

20. Provision for Bad and Doubtful Debts

(Rs. In Lakhs)

Description	As at 31st March 2013	As at 31st March 2012
As per RBI		
Provision on Standard Assets as per RBI Guidelines	140.11	79.30
Provision on Sub Standard Assets	18.97	2.03
Provision on Doubtful Assets	19.97	-
As per Company Policy		
Provision for Standard Assets/Non Performing Assets as per Company Norms	283.76	186.38
Provision against the underlying assets covered by Cash Collateral	46.73	-
Total	**509.54**	**267.71**

21. Additional Notes forming part of Financial Statements for year ended 31st March 2013

1. **Capital Commitments**

(Rs. In Lakhs)

Description	31st March, 2013	31st March, 2012
Estimated amount of contracts remaining to be executed on Capital Account not provided for	3.90	39.60

2. The Company does not have any other commitments

3. **Contingent Liabilities not provided for:**

(Rs. In Lakhs)

Description	2012-13	2011-12
Legal cases filed by borrowers against the company	43.01	11.09

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, resulting in an 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). This was discharged by TVSFS by issue of Unsecured Redeemable Zero Coupon Bonds, 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. 12,400.00 lakhs). During the year, the Company has acquired 10 hectares of land valued at Rs. 2,483.00 lakhs from Holding Company and the same has been adjusted against the amount receivable from the Holding Company. 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. Current year expenses include prior period expenses of Rs. 106.83 lakhs.

7. **The break-up of Deferred Tax (Assets)/Liabilities are as under:**

(Rs. In Lakhs)

Timing Differences	Balance as at 01.04.2012	For the Year	Balance as at 31.03.2013
Deferred Tax Asset			
Provision for Compensated Absence	(9.98)	(0.50)	(10.48)
Deferred Tax Liability			
Fixed Assets – Depreciation	7.79	(31.21)	(23.42)
Net Deferred Tax (Asset)/Liability	(2.19)	(31.71)	(33.90)

Additional Notes forming part of Financial Statements for year ended 31st March 2013

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	
	2012-13	2011-12	2012-13	2011-12
Present value of defined benefit obligations at beginning of the year	78.84	11.73	41.01	15.40
Current service cost	83.57	11.31	52.56	20.48
Interest Cost	8.25	1.50	3.00	1.23
Actuarial (Gains)/Losses	(75.38)	54.30	(3.95)	3.90
Present value of defined benefit obligations at end of the period	**95.28**	**78.84**	**92.62**	**41.01**
Changes in Plan Assets				
Fair value of the plan assets at the beginning of the year	82.30	62.90	-	-
Acquisition adjustments	-	-	-	-
Expected return on plan assets	9.04	5.95	-	-
Contributions	36.40	14.14	-	-
Benefits paid	-	-	7.25	-
Actuarial Gain /(Loss) on plan assets	(0.55)	(0.69)	-	-
Fair value of plan assets at the end of the year	**127.19**	**82.30**	**7.25**	**-**
Amount recognised in the Balance Sheet under Note No.				
Present value of funded defined benefit obligations at end of the year	(95.28)	(78.84)	85.37	15.40
Fair value of plan assets at end of year	127.19	82.30	85.37	25.62
Funded status	-	-	-	-
Net (Liability) /Asset recognised in Balance Sheet at end of the year	**31.90**	**3.46**	-	-
Expense recognised in income statement	-	-	-	-
Current service cost	83.57	11.31	52.55	20.49
Interest cost	8.25	1.50	3.00	1.23
Expected return on plan assets	(9.04)	(5.95)	-	-
Curtailment cost / (credit)	-	-	-	-
Settlement cost / (credit)	-	-	-	-
Actuarial (gains) /losses	(74.82)	54.99	(3.95)	3.90
Expense recognised in the statement of Profit & Loss a/c	**7.96**	**61.85**	**51.60**	**25.62**
Assumptions				
Discount Rate	8.50%p.a	8.00%p.a	8.00%p.a	8.00%p.a
Interest Rate (Rate of Return on Assets)	9.00%p.a	8.50%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	2.00%p.a	2.00%p.a

Additional notes forming part of financial statements for year ended 31st March 2013

9. Earnings per Share (EPS)

Particulars		2012-13	2011-12
Profit/(Loss) after Tax for Basic EPS	Rs. In Lakhs	515.89	24.87
Weighted average number of Equity shares used in computing basic earnings per share	Nos	821.14	818.34
Face value of Equity Shares	Rupees	10.00	10.00
Basic Earnings per share	Rupees	**0.63**	**0.03**
Profit after Tax for Basic EPS	Rs. In Lakhs	515.89	24.87
Loss after Tax for Diluted EPS	Rs. In Lakhs	515.89	24.87
Weighted average number of Equity shares used in computing Basic earnings per share	Nos	821.14	818.34
Potential weighted average number of Equity shares that could arise on conversion of Loan from FI	Nos	-	-
Weighted average number of Equity shares in computing Diluted earnings per share	Nos	821.14	818.34
Diluted Earnings per Share	**Rupees**	**0.63**	**0.03**

10. Note on Securitization/Assignment

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

(Rs. In Lakhs)

Particulars	As at March 2013	As at March 2012
Total No. of Assets Securitized	-	61,458.00
Book value of Assets Securitized	-	13,535.37
Sale consideration received	-	13,535.37
Gain/(Loss) on Securitization to be amortized over the life of the securities	-	-
Bank Deposits provided as Cash for Credit enhancements	-	3,215.00

The assignment is as per RBI Guidelines on securitization (DBOD.NO.BP.BC.60/21.04.048/2005-06, dated 1st Feb 2006) and the receivables have been de-recognized i.e. excluded from the head Receivables from Financial Activity (Note no. 11). The Assignment/Sale is without recourse to the Company.

The Company being originator and servicer (acts as a Collection Agent) has provided cash collateral as part of credit enhancement as required under the Deed of Assignment of receivables with under lying security executed with a Bank. Shortfall, if any arising, in the monthly payouts agreed under the Deed of Assignment shall be met out of the cash collateral to be provided by the originator.

As at the balance sheet date, the company has received Rs.599.88 lakhs (PY - Rs.895.06 lakhs) from the borrowers arising out of the assigned asset and the same is held as "payable to the bank" and shown under Other Current Liabilities (Note No.7).

11. During the year, Company has acquired without recourse, Portfolio of Rs.1027.07 lakhs (Previous year Rs.658.45 Lakhs) for a consideration of Rs.901.69 (Previous year Rs.609.51 Lakhs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company. The Company has received cash collateral amounting to Rs.50.69 lakhs (Previous year Rs. 60.95 Lakhs).

Additional notes forming part of financial statements for year ended 31st March 2013

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

List of related parties	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)

S.No	Name of the Related Party	Nature of Transactions	Amount 2012-13	Amount 2011-12
1	**TVS Motor Services Ltd**	Allotment of Equity shares		
		Fully paid up-		
		64,86,500 shares of Rs.10 each at a premium of Rs.27 each(Previous year - Nil)	2,400.01	-
		Purchase of Land	2,483.00	-
		Receipt out of Dues	-	300.00
		Balance outstanding (Dr)	22,017.00	24,500.00

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

13. 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”.

14. Expenditure in foreign currency

(Rs. In Lakhs)

Description	2012-13	2011-12
Foreign Travel Expenses	-	4.30

Additional notes forming part of financial statements for year ended 31st March 2013

15. The Company has reclassified the previous year figures in accordance with the requirements applicable in the current year.

16. 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.

17. 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)

			Amount outstanding	**Amount overdue**
	Liabilities			
(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		30,772.72	-
D	Inter-corporate loans and borrowings		-	-
E	Commercial paper		-	-
F	Other loans - (Cash Credit)		90,669.05	-
			1,21,441.77	
	Assets		**Amount Outstanding**	
(2)	**Break-up of Loans and Advances including bills receivable (other than those included in (4) below):**			
A	Secured		-	
B	Unsecured considered good		-	
(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		537.42	
	(b)Loans other than (a) above		1,11,644.33	
			1,12,181.75	

Additional notes forming part of financial statements for year ended 31st March 2013

			Amount	
(4)	**Break up of Investments:**			
	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)		-	-
			-	-

Additional notes forming part of financial statements for year ended 31st March 2013

(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	1,12,181.75	-	1,12,181.75
	Total	**1,12,181.75**	**-**	**1,12,181.75**
(6)	**Investor group wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)**			
	Category	**Market value/Break up 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		2,769.13	
			2,769.13	
(ii)	Net - Non Performing Assets			
	(a) Related Parties		-	
	(b) Other than related parties		153.08	
			153.08	
(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.

Additional notes forming part of financial statements for year ended 31st March 2013

18. 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 2013	As at 31st March 2012
Tier I Capital	17,243.11	14,327.22
Tier II Capital	8,905.53	7,458.54
Total Capital	**26,148.64**	**21,785.76**
Total Risk Weighted Assets	1,35,578.47	67,688.63
Capital Ratios		
Tier I Capital as a Percentage of Total Risk Weighted Assets	12.72%	21.17%
Tier II Capital as a Percentage of Total Risk Weighted Assets	6.57%	11.02%
Total	**19.29%**	**32.19%**

b. Exposure to Real Estate sector, both Direct and Indirect

(Rs. In Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
(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.

Additional notes forming part of financial statements for year ended 31st March 2013

c. Asset Liability Management Maturity Pattern of certain items of Assets and Liabilities as at March 31, 2013

(Rs. In Lakhs)

Time of Buckets	As on 31st March 2013	
	Liabilities (Borrowings from Banks/FI)	Advances (Net of Provisions for Non-Performing Assets)
Upto 1 Month	5,411.85	25,203.31
Over 1 to 2 Months	1,429.82	7,087.22
Over 2 to 3 Months	3,177.11	6,623.05
Over 3 Months to 6 Months	1,881.86	20,645.09
Over 6 Months to 1 Year	93,795.18	31,464.17
Over 1 Year to 3 Years	18,131.25	36,694.47
Over 3 Year to 5 Years	8,559.86	2,005.55
Over 5 Years	22,483.11	25,507.19
Total	**1,55,230.04**	**155,230.04**

Cumulative Mismatch is significantly lower than the RBI stipulated levels of 15% and positive in all buckets upto 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 Lakhs		Rs.1 to Rs.5 Lakhs		Total	
		Count	Value	Count	Value	Count	Value
A	**Person Involved**						
	Staff	43	10.73	5	10.13	48	20.86
	Customers	-	-	-	-	-	-
	Staff and Customers	43	10.73	5	10.13	48	20.86
B	**Type of Fraud**						
	Misappropriation and Criminal breach of trust	-	-	-	-	-	-
	Fraudulent encashment / manipulation of books of accounts	43	10.73	5	10.13	48	20.86
	Unauthorized credit facility extended	-	-	-	-	-	-
	Cheating and Forgery	-	-	-	-	-	-
	Total	43	10.73	5	10.13	48	20.86

Additional notes forming part of financial statements for year ended 31st March 2013

Out of the above, Rs.14.14 lakhs 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 21, 2013

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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