Directors has granted, subject to regulatory approvals where necessary, 20000 stock options to select eligible employees, on 25th May 2018. The disclosure required under SEBI (Share Based Employee Benefits) Regulations, 2014, is furnished, vide Annexure VIII.

EXTRACT OF ANNUAL RETURN

As required under Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return in MGT-9 is annexed as part of this report, vide Annexure IX.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS

During the year under review, no significant and material orders were passed by the regulators, courts or tribunals against the Company, impacting its going concern status or its future operations.

INFORMATION AS PER SECTION 134(3)(M) OF THE COMPANIES ACT, 2013 READ WITH RULE 8 OF THE COMPANIES (ACCOUNTS) RULES, 2014

Your Company has no activity relating to conservation of energy or technology absorption. During 2017-18, expenditure in foreign currencies amounted to ₹78.56 cr. Foreign Currency earnings amounted to ₹6.46 cr.

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The global economy continued its strong growth in 2017. One notable aspect of last year's upswing was its geographic breadth. Growth accelerated in about three quarters of countries worldwide. Even more important, some of the countries that have had high unemployment for some time, including several in the euro area, participated in the growth and are experiencing strong employment growth. Some of the larger emerging market economies, such as Argentina, Brazil, and Russia, came out of their recessions. Equity valuations continued to climb and are near record highs, as central banks have maintained accommodative monetary policies due to weak inflation. However, the paradoxes of growth remain. According to the World Bank, *"there were plenty of unsettling and upsetting events and trends. Catastrophic storms and flooding wrecked homes and livelihoods from South Asia to the Caribbean. Education quality in many countries fell short even as much of the world raced into the digital age. Yet extreme poverty continues to decline. Innovation and technology are enhancing the quality of life. And human capital is now the biggest driver of wealth in the world today."*

As per the IMF's World Economic Outlook, *"Global economic growth strengthened in 2017 to 3.8 %, with GDP continuing to accelerate over much of the world in what is seen as the broadest cyclical upswing since the start of the decade with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is expected to tick up to 3.9 % this year and next, supported by strong momentum, favourable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States. The partial recovery in commodity prices should* *allow conditions in commodity exporters to gradually improve."* The report however goes on to add that *"The global economic upswing that began around mid-2016 has become broader and stronger…, advanced economies as a group will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging market and developing economies will rise before levelling off. For most countries, current favourable growth rates will not last. Policymakers should seize this opportunity to bolster growth, make it more durable, and equip their governments better to counter the next downturn."*

INDIAN ECONOMY

India has emerged as one of the fastest growing major economies in the world as per the IMF and is expected to be amongst the top three economic powers of the world over the next two decades, backed by its strong democracy and partnerships. India's GDP is estimated to have grown by 6.6 % in 2017-18 and is expected to grow at 7.3 % in 2018-19.

The Goods and Services Tax (GST) which involved merging all indirect taxes into one, with a view to mitigate cascading or double taxation, was rolled out on July 1, 2017. As anticipated, there have been myriad issues, ranging from initial teething troubles to several technical issues. The first and most avoidable hiccups were the glitches on the Goods and Services Tax Network online portal (GSTN), which is the IT backbone for the new indirect tax regime, which hit small businesses particularly hard. The technical glitches on the GSTN forced the Government to extend the due date for various returns and forms on a number of occasions, raising concerns on the functioning of the IT backbone of GST. So also, the GST rates have been tinkered with time and again, which has hampered smooth transition and disrupted various sectors. However, things appear to be falling in place, albeit gradually, and it is to be hoped that things will settle down sooner than later.

The growth in India's GDP has to be viewed as satisfactory in the aftermath of two major events - demonetisation and GST. Gross tax collections for the period April 2017- February 2018 showed an increase of 15.8% year-on-year while net retention to the Centre in tax collections recorded a growth of 17%.

India's foreign exchange reserves stood at USD 424.4 billion at the end of March 2018 as compared to USD 370 billion at the end of the previous year, according to data from the RBI. However, tepid export growth of 0.7 % and higher import growth of 7.1%, primarily attributable to oil-imports, resulted in the current account deficit worsening to 2.0 % from 1.4 % in the previous year. Depending on the oil price movements, this could worsen further.

The annual average WPI inflation for 2017-18 stood at 2.9% as against 1.7% in the previous year, while the headline inflation based on Consumer Price Index for 2017-18 averaged 3.6%, as compared to 4.5 % in 2016-17. The IIP increased by 4.3% during the period Apr to Feb 2018, as against 4.7% in the corresponding period of the previous year. The production of eight core industries registered a growth of 5.3% during the year as against 0.6 % in the corresponding period of previous year.

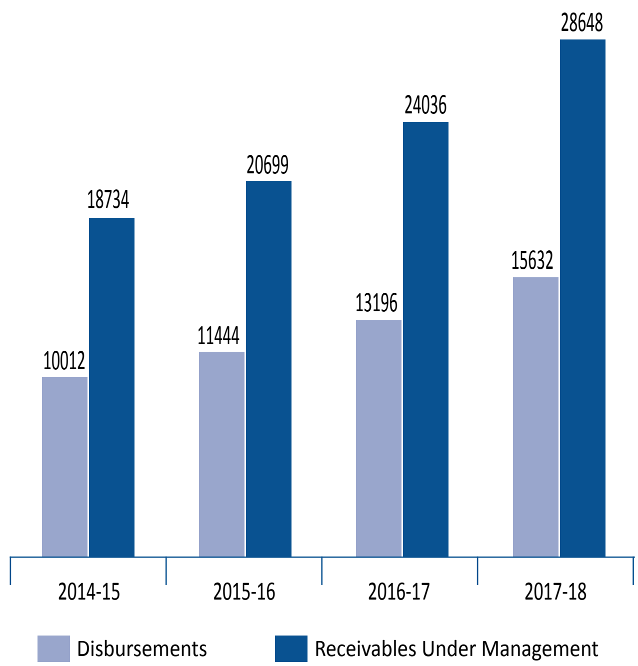
According to the World Bank's Doing Business Report, India has improved its ranking by 30 spots over its 2017 ranking and is now ranked 100 among 190 countries in the latest edition of the report.

AUTOMOTIVE SECTOR

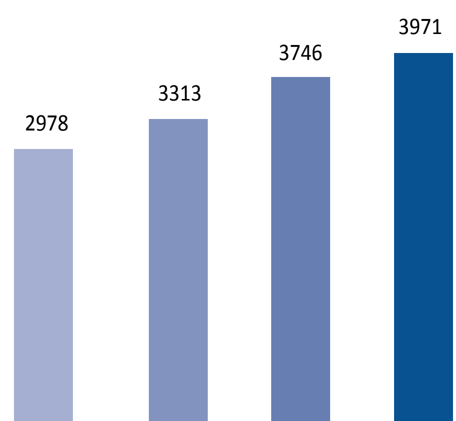
The Commercial vehicle industry faced significant turbulence in 2017-18. The BS IV emission norms that went into effect from April 1, 2017, meant that prices of commercial vehicles increased sharply. In addition, the competing engine technologies EGR and SCR, with vehicle manufacturer's proclaiming the superiority of one over the other, only added to the confusion for the average transport operator. Shortly thereafter, India entered the GST era which affected the movement of goods in the first few months and also increased the working capital requirements of transport operators. Against this backdrop it is hardly surprising that sales of Medium and Heavy commercial vehicles (M&HCV) registered a fall during the first half of the financial year compared to the previous year. Considering the fact that industrial activity remained muted, M&HCV demand in several states, especially in Southern and Western India were markedly lower than the previous year. However, a turnaround in the second half of the year, driven predominantly by the continuing focus of the government on infrastructure, robust demand in Northern India and the substantial discounts that were on offer, ensured that M&HCV sales registered a growth of 12.5%, for the year. The reduced turnaround times on account of inter-state check posts being dismantled, stricter implementation of overloading norms in several states and vastly improved highways, resulted in a significant shift towards higher tonnage vehicles, owing to better operating economics for transport operators.

The relatively good monsoons of the last two years have led to increased prosperity in the rural and semi urban areas of the country which has had a salutary effect on their purchasing power and a corresponding increase in demand for various goods and services.

Total Disbursements and Receivables Under Management (₹ in cr.)



Own Funds
(₹ in cr.)



	Mar 2015	Mar 2016	Mar 2017	Mar 2018
Book Value (₹)	268.04	298.16	337.13	357.40

Agrarian prosperity, coupled with the creation of large, new warehousing capacity across the country, the strengthening of the hub and spoke model, thanks to GST and the continuing boom in E commerce, provided a shot in the arm for Light and Small commercial vehicles which grew by over 13%. Sales of Passenger Cars and Utility vehicles grew 8% aided by the latter. However, with the emergence of taxi aggregators such as Uber and Ola and the rapid development of Metro rail in several major cities, some early signs of changes in buyer behaviour appear to be emerging. As per the Society of Indian Automobile Manufacturers (SIAM), the contribution of the top 20 cities that generate about 50% of passenger vehicle sales has shown slower growth in the last four to five years, while there is greater demand from smaller towns and semi-urban areas. This could have major implications both for manufacturers and financiers, in the longer term.

The tractor industry witnessed another year of strong growth. Multiple factors ranging from subsidy support for tractor purchase by several States, a bountiful harvest on account of a good monsoon and the availability of retail finance saw the industry register a robust growth of 22% during the year.

OPERATING & FINANCIAL PERFORMANCE

Your Company's disbursements at ₹15632 cr. (PY ₹13196 cr.) registered a healthy growth of 18% over the previous year, notwithstanding the various disruptions faced by the automotive sector in the first half of the financial year. While sales of M&HCVs revived only towards the later part of the year, your Company increased its presence in the rapidly growing construction equipment and tractor segments while also deepening its presence in newer geographical areas and market segments. Pricing pressures continued unabated, with several new players, mostly private sector banks, seeking to gain a foothold in the fiercely competitive vehicle finance segment. Your Company was largely able to counter this on account of the strong customer relationships that it has built and nurtured over the decades, its ability to raise resources at or near the best rates in the debt markets and the deft management of its liabilities portfolio, thereby enabling it to maintain its strong market position. The gross receivables managed by the Company stood at ₹28648 cr., as against ₹24036 cr., a growth of 19% over the previous year. As always, your Company's sustained focus on maintaining superior asset quality ensured that its portfolio continued to be best in class, with Gross and Net NPAs which stood at 1.54% and 0.55% respectively in the previous year, coming down to 1.29% and 0.50%, respectively, as at 31st March, 2018. The net profit for the year after considering the effects of demerger was ₹532.95 cr., as against ₹460.57 cr. (adjusted net profit on demerger) in the previous year, registering a growth of 15.95% on a like to like basis. The company's net-worth stood at ₹3970.85 cr., as on 31.3.2018. Capital adequacy (CRAR) at 17.64% was comfortably higher than the statutory requirement of 15%.

RESOURCE MOBILISATION

a) Deposits

During the year, your Company mobilised fresh deposits aggregating to ₹450.53 cr. Renewal of deposits during the year amounted to ₹943.44 cr, representing 79% of the matured deposits of ₹1170.48 cr. Deposits outstanding at the year-end were at ₹2499.33 cr. as against ₹2411.08 cr in the previous year. The Net accretion for the financial year was ₹88.25 cr.

As at 31st March 2018, 4615 deposits amounting to ₹32.67 cr. had matured for payment and were due to be claimed or renewed. After close follow-up, the figures are currently down to 2899 and ₹16.17 cr. respectively. Continuous efforts are being made to arrange for repayment or renewal of these deposits. There has been no default in repayment of deposits or payment of interest thereon during the year. Investor Relation Services – Deposits currently enjoy the ISO 9001:2008 Certification from Bureau Veritas (India) Private Limited. The certification process to the revised standard ISO 9001:2015 is in progress and will be concluded in the second quarter.

b) Term Funding

During the year, your Company raised term funding from Banks, Mutual funds, Insurance companies and others in the form of non-convertible debentures and term loans to the tune of ₹5545 cr., across various tenors.

c) Bank Finance

As part of the overall funding plan, your Company's working capital limits with Consortium banks were increased to ₹2750 cr. from ₹2250 cr. During the year, your Company also issued several tranches of commercial paper aggregating to ₹14405 cr. The maximum amount outstanding at any time was ₹4905 cr. and the amount outstanding at the end of the year was ₹2025 cr.

d) Assets Securitised / Assigned

During the year, your Company raised resources to the extent of ₹3879 cr. through securitisation and assignment of receivables.

CREDIT RATINGS

During the year, your Company's long term credit ratings have been upgraded from AA+ to AAA, by both ICRA & CRISIL. The short term borrowings (including commercial paper) are rated "A1+"/P1+ (very strong degree of safety). Fixed Deposits are rated "AAA" (Highest Credit Quality) by ICRA and CRISIL. The long term borrowings are rated "AAA" (Highest Degree of Safety), with a "Stable outlook" by ICRA and CRISIL and AA+ (High Degree of Safety), with a "Stable outlook" by India Ratings.

OUTLOOK

The main thrust of the Union Budget for 2018-19 is on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education. A total of ₹14.34 lakh crores along with specific allocation for North-East Industrial Development Scheme is meant to improve livelihoods and infrastructure in rural areas; besides this, an increased budgetary allocation for infrastructure has been made at ₹5.97 lakh crore for 2018-19. These increased allocations are expected to have an overall salutary impact on the Indian economy as a whole and the rural economy in particular.

SIAM expects the growth momentum of Commercial vehicle sales to continue at 10-12% (M&HCVs at 9-11% and LCVs at 10-12%) in 2018-19. The government's continuing emphasis on infrastructure and a recovery in the mining sector bodes well for sales of tippers. Sales of passenger vehicles are expected to grow at 8-10% (utility vehicles at 14-15% and cars at 8-9%). As per a report by CRISIL, tractor sales are projected to increase by 11-13% in 2018-19, assuming a normal monsoon and increased government support. Demand in semi-urban towns and rural areas is expected to look up as the impact of demonetisation has abated, and a normal monsoon for a third year should bolster sales of passenger cars, LCVs and especially tractors.

However, rising diesel prices and higher interest rates could prove a dampener from the point of view of the transport operator's viability and consequently on commercial vehicle offtake. With inflation numbers trending upwards and liquidity tightening, interest rates have already shown an upward bias in the first few weeks of the current financial year. Pressure on inflation, retail as well as wholesale, is mounting. While the widely-tracked consumer price index (CPI) based inflation rate rose to a three month high of 4.58%, its wholesale price index (WPI) counterpart increased to a four-month high of 3.18% in April. This might justify the hawkish stance of the monetary policy committee (MPC). The general expectation is that RBI will start raising policy rates in the third quarter of 2018-19. However, recent events, notably the sharp increases in oil and commodity prices, could prompt them to raise rates even earlier. Although not an immediate concern, the spectre of BS VI emission norms and the vehicle scrappage policy, both slated for implementation in April 2020, looms on the horizon.

Your Company has taken these factors into account in drawing up its plans for the year. While concentrating on its core markets and product segments, your company sees significant opportunities in the rapidly growing construction equipment segment, as also the LCV and tractor segments. Rising interest rates and intensifying competition are likely to exert pressure on margins. Your company expects to manage this through financing an appropriate mix of higher and lower yielding assets, while ensuring that asset quality continues to remain best in class.

INTERNAL FINANCIAL CONTROLS

The Company has a well-established internal financial control and risk management framework, with appropriate policies and procedures, to ensure the highest standards of integrity and transparency in its operations and a strong corporate governance structure, while maintaining excellence in services to all its stakeholders. Appropriate controls are in place to ensure: (a) the orderly and efficient conduct of business, including adherence to policies (b) safeguarding of assets (c) prevention and detection of frauds / errors (d) accuracy and completeness of the accounting records and (e) timely preparation of reliable financial information.

RISK MANAGEMENT

Your Company has built a robust risk management framework over the years. Engaged, as it is, in retail financing, the Company has to manage various risks, including credit risk, liquidity risk, interest rate risk and operational risk. The Risk Management Committee and the Asset Liability Management Committee review and monitor these risks on a regular basis. The Company manages credit risk through stringent credit norms established through several decades of experience in retail lending and continues to follow the time tested practice of personally assessing every borrower, before committing to a credit exposure. The Company monitors ALM on an ongoing basis to mitigate liquidity risk, while interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles. The Company also measures the interest rate risk by the duration gap method.

Operational risks arising from inadequate or failed internal processes, people and systems or from external events are adequately addressed by the internal control systems. These systems are continuously reviewed, monitored and modified, as necessary. A stable and experienced management team provides much needed continuity and expertise in managing the dynamic changes in the market environment. Process improvements and quality control are on-going activities and are built into the employees' training modules, as well. The Company has well documented Standard Operating Procedures for all processes to ensure better control over transaction processing and regulatory compliance.

INTERNAL AUDIT

As part of the efforts to evaluate the effectiveness of the internal control systems, your Company's internal audit department independently evaluates the adequacy of control measures on a periodic basis and recommends improvements, wherever appropriate. The Internal Audit team plays a vital role in continuously monitoring the effectiveness of the Standard Operating Procedures and makes extensive use of software and analytical tools which enables effective offsite monitoring.

The internal audit department is manned by highly qualified and experienced personnel and reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures.

Additionally, an Information Security Assurance Service is also provided by independent external professionals. Based on their recommendations, the Company has implemented a number of control measures both in operational and IT related areas, apart from information security related measures.

HUMAN RESOURCES

In an environment that is rapidly becoming technology and digital oriented, your Company continues to invest in long term people development, for organisational excellence. Part of the enduring Sundaram Finance tradition, over the decades, has been our adherence to the 'Sundaram Way'- the value system that has formed the bedrock of the Company and the percolation of these values to successive generations of employees. For talent development, we have a healthy mix of learning programmes addressing both domain knowledge and soft skills. During the year, 48% of programmes were for domain knowledge and 52% in the area of soft skills, involving 4600 man hours of learning. Your Company launched the Sundaram Finance Centre of Excellence (CoE) in 2016-17, with a view to effectively leverage technology to accelerate the pace of institutional knowledge transfer across the Sundaram Finance landscape, while still retaining the spirit of our Gurukulam system. The response has been very enthusiastic and over 1600 employees took the exams under various modules of the CoE during the year. The 'Educator Orientation Programmes' for the senior managers who act as guides and facilitators to those who take the CoE examinations every month has been institutionalised.

INFORMATION TECHNOLOGY

During the year, the Board of Directors formed the IT Strategy Committee, as required by RBI. The Committee has since framed the policies and procedures relating to Cyber Security, Business Continuity, Outsourcing and Information Security / Technology, in line with its terms of reference.

Your Company has a State of the Art Data Centre catering not only to its own needs but also those of its subsidiaries and associates, with a capacity of over 300 servers, managed by professionals providing 24/7 support, with over 99.99% uptime. The Data Centre is accredited for ISO/IEC 27001:2013 by TUV Rheinland for Information Security Management System. The Disaster Recovery Site for all critical applications is hosted at a separate facility located in a different seismic zone, with near real-time data replication. Your company has implemented various protocols for managing Information and Cyber security across the organization.

The internal IT Team has mastered a complex landscape of current technologies, marketing approaches, and operational capabilities to cater to the various business applications within the Company. Digital services and operations are raising the competitive bar in every sector. Your Company's digital strategy is driven by the twin objectives of making life easier for our employees and enhancing the customer experience. Our digital initiatives address these very objectives, by providing a host of digital options for our customers to interact and transact with us and a number of productivity enhancements through process automation which free up our people to deliver the unique 'Sundaram Experience' to our customers. We are a relationship centric business and have consciously adopted digital, to augment these relationships and be digitally available for our customers, as and when they need us to be.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of Section 129(3) of the Companies Act, 2013, the Consolidated Financial Statements, drawn up in accordance with the applicable Accounting Standards, form part of the Annual Report. A separate statement containing the salient features of the financial statements of Subsidiaries and Associates in Form AOC-1 forms part of the Annual Report.

The annual accounts of all the Subsidiary Companies have been posted on your Company's website – www.sundaramfinance.in. Detailed information, including the annual accounts of the Subsidiary Companies will be available for inspection by the members, at the registered office of the Company and will also be made available to the members upon request.

SUBSIDIARIES

- **Sundaram BNP Paribas Home Finance Limited**

  The company approved loans aggregating to ₹2996 cr. (Previous year ₹2077 cr.). Disbursements during the year were higher by 43%, at ₹2626 cr. (PY ₹ 1831 cr.). The company earned a gross income of ₹898 cr. (PY ₹ 923 cr.) and reported a profit after tax at ₹136 cr. (PY ₹154 cr.). The loan portfolio under management as at 31st March 2018 stood at ₹8336 cr. as against ₹7639 cr. in the previous year. The gross and net NPA stood at 3.27% and 1.09% respectively as of 31.03.2018. The company proposed a dividend of ₹3.50 per share for the year (PY 35%).

- **Royal Sundaram General Insurance Co. Ltd (Royal Sundaram)**

  Royal Sundaram reported a robust increase of 19.9% in Gross Written Premium (GWP) at ₹2643 cr. as compared to ₹2205 cr. in the previous year. Profit after tax for the year was ₹83.00 cr., as against ₹43.05 cr. in the previous year.

- **Sundaram Asset Management Company Limited**

  Sundaram Asset Management Company Limited reported a gross income of ₹308.04 cr. as against ₹260.52 cr. in the previous year. Profit after tax was significantly higher at ₹38.24 cr. as compared to ₹30.73 cr. during the previous year. The Average Assets under Management amounted to ₹34,306 cr. for the year 2017-18 as compared to ₹28,260 cr. in the previous year. The company recommended a dividend of ₹4/- per share for the year, on the paid-up capital of ₹35 cr.

- **Sundaram Trustee Company Limited**

  Sundaram Trustee Company Limited earned a gross income of ₹1.50 cr., as against ₹1.23 cr., in the previous year and reported a profit after tax of ₹0.80 cr. for the year, as against ₹0.58 cr. in the previous year. The company recommended a dividend of ₹100/- per share for the year.

- **LGF Services Limited**

  During the year, LGF Services Limited reported a gross income of ₹1.90 cr. as against ₹4.39 cr. in the previous year. The profit after tax for the year was ₹0.34 cr. as against ₹0.83 cr. in the previous year. The company proposed a dividend of ₹25/- per share for the year, same as during the previous year.

- **Sundaram BNP Paribas Fund Services Limited**

  Sundaram BNP Paribas Fund Services Limited earned an income of ₹40.96 cr. during the year, an increase of 25.03% over the previous year. The company's reported loss was lower at ₹0.22 cr. during the year as against ₹4.62 cr. in the previous year.

BOARD & AUDIT COMMITTEE

The details regarding number of board meetings held during the financial year and composition of Audit Committee are furnished in the Corporate Governance Report.

DIRECTORS

Sri S. Viji and Sri S. Ram retire by rotation and being eligible, offer themselves for re-election.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6).

ANNUAL EVALUATION BY THE BOARD

The Board has made a formal evaluation of its own performance and that of its committees and individual directors as required under Section 134(3)(p) of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
3. Proper and sufficient care has been exercised for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis;
5. Adequate internal financial controls have been put in place and they are operating effectively; and

6. Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDITORS

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, were appointed as Statutory Auditors of your Company, to hold office for a term of five (5) consecutive years from the conclusion of the 64th Annual General Meeting until the conclusion of the 69th Annual General Meeting. Their appointment for periods subsequent to the conclusion of the 65th Annual General Meeting shall be subject to one time ratification by the members at the ensuing Annual General Meeting, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors.

A certificate from the Auditors that they satisfy the conditions prescribed under the Companies Act, 2013 and the Rules made thereunder (including satisfaction of criteria under Section 141 of the Companies Act, 2013) has been received from them.

AWARDS AND RECOGNITION

Your Company was chosen for Mahindra Transport Excellence Award instituted by Mahindra & Mahindra Limited, in the category, 'Enablers of Social Change', in recognition of the outstanding contribution made by your Company, in fostering and developing the transport ecosystem, especially single truck owners and small fleet owners, over several decades.

ACKNOWLEDGEMENT

Your directors gratefully acknowledge the support and co-operation extended to your Company by all its customers, depositors, shareholders and bankers, as also the various mutual funds, insurance companies, automotive manufacturers and dealers.

Your directors also place on record their special appreciation of Team Sundaram for their dedication and commitment in delivering the highest quality of service to every one of our valued customers.

For and on behalf of the Board

Chennai 600 002 **S VIJI**
25.05.2018 Chairman