



PROVEN PERFORMANCE
Transforming to grow



Welcome to the Annual Report 2016-17



Find the online version of the report at
www.indostarcapital.com/



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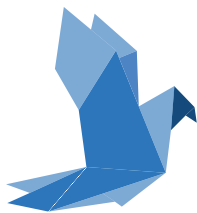
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For the second year in a row, India has emerged as the fastest growing major economy in the world. Driven by decisive, structural and bold changes, the entire business landscape is transforming with policies and processes that are more inclusive and growth-aligned.

What does all this mean?

It means a sustained growth trajectory in the near, mid and long term. It means unprecedented opportunities for expansion in key industries and sectors.

Unlocking these opportunities will require an adequate supply of capital and finance.

NBFCs will play an increasingly important role by bridging the demand gap. With their deep understanding of financial markets and strong industry insight, NBFCs create best-fit for financing and capital solutions, becoming key catalysts that help clients move into the next phase of growth and expansion.

At IndoStar Capital Finance Ltd. (IndoStar), we are poised and prepared to capitalise on this opportunity. For the last six years, we have demonstrated an unquestionable track-record of growth, outperforming the sector with an enviable 39% CAGR in our Total Assets and an over 52% CAGR in Total Income.

We have proven performance

We are now leveraging our expertise and experience, strength and capabilities to expand and accelerate growth. We have ambitious plans to align with the larger Indian consumption story by foraying into Retail, Asset and Housing finance. We are developing new portfolio of products suited for SME lending. We are expanding our footprint across India and building our team strength.

We are transforming to grow

HIGHLIGHTS OF THE YEAR

FINANCIAL HIGHLIGHTS

Total Income (₹)

2016-17

720Cr

2015-16

644Cr



12%

Total Assets (₹)

2016-17

5,489Cr

2015-16

4,693Cr



17%

PAT (₹)

2016-17

211Cr

2015-16

192Cr



10%

Borrowings (₹)

2016-17

3,373Cr

2015-16

3,001Cr



12%

Net worth (₹)

2016-17

1,903Cr

2015-16

1,542Cr



23%

Capital Adequacy Ratio

2016-17

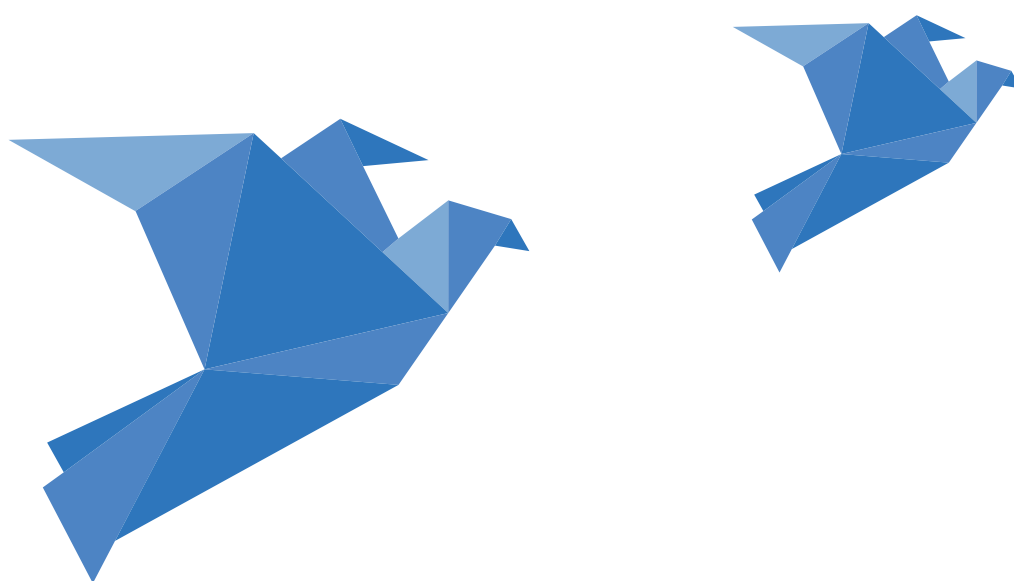
33.8%

2015-16

34.2%

OPERATIONAL HIGHLIGHTS

IndoStar Home Finance Private Limited (IHF), a wholly-owned subsidiary of IndoStar Capital received a Home Finance Licence from the National Housing Bank in August 2016, proposes to start its operations by H2 FY18. IHF will focus on small-ticket lending to self-employed and salaried individuals, which is a large untapped market.



We are now present in 10 locations of India, where we offer loans to SMEs against property as collateral and we have set-up a new Retail corporate office in Mumbai.

We have recruited people with strong retail financial services backgrounds across levels and an expert senior management team to spearhead the growing SME and Retail businesses.

MESSAGE FROM THE EXECUTIVE VICE-CHAIRMAN AND CEO

After going through a prolonged phase of sluggishness, the global economy is finally showing signs of pickup in growth. The World Economic Outlook, published by the International Monetary Fund (IMF), estimates that global growth will accelerate to 3.5% in 2017 and 3.6% in 2018, compared to 3.1% in 2016.

Dear Shareholders,

Being my maiden year with IndoStar, it gives me great pleasure to present to you the results for FY17. It is indeed a privilege to take over the reins of this Company at a time when it has delivered a proven performance and I look forward to overseeing the next phase of transformation for growth. I especially feel fortunate that my stint at IndoStar begins at a time when both domestic and macro-economic indicators have begun to look promising.

After going through a prolonged phase of sluggishness, the global economy is finally showing signs of pick-up in growth. The World Economic Outlook, published by the International Monetary Fund (IMF), estimates that global growth will accelerate to 3.5% in 2017 and 3.6% in 2018, compared to 3.1% in 2016. Economic growth in the UK is steady and despite the initial apprehension regarding the Trump administration, the US has displayed strong growth too. The Eurozone also seems to be out of the woods as elections in France, Italy and other nations have panned out in favour of more progressive leaders. All these developments signal an uptick in global growth in the coming years.

In India, despite significant macro-headwinds, GDP growth has remained strong and will become more sustainable in the near future on the back of various long-term reforms initiated by the incumbent government. Spurred on by a near normal monsoon in 2016 and increased spending on key sectors, the Indian economy is on track for consistent growth in the years to come.

With businesses in various sectors and industries planning significant capital expenditure to start new projects and fast-track existing ones, getting funding and capital financing solutions will prove to be a key factor to encashing growth.

Over the past few years, while banks were encumbered with strengthening of their balance sheets, the NBFC sector has effectively supported growth in the economy. NBFCs have transformed to become an integral part of the financial ecosystem and have shown steady year-on-year growth. NBFCs have progressed rapidly by implementing innovative schemes, lowering cost structures and offering customer-centric solutions. Further, NBFCs have become very structured with strong risk-management and governance processes and practices.

Today, we are at an interesting cusp, where opportunities meet abilities. The opportunities for financial services players, with proven track records for value creation, are enormous. With our financial prudence, experience and expertise multiplied with our talent pool, technology and teamwork, we feel confident that we are perfectly positioned to convert opportunities into further success. We will be strengthening our business by nurturing existing relationships and adding more product lines while expanding our geographic presence as we enter into new segments.



TODAY, WE BELIEVE WE ARE AT AN INTERESTING CUSP WHERE OPPORTUNITIES MEET ABILITIES. THE OPPORTUNITIES FOR FINANCIAL SERVICES PLAYERS, WITH A PROVEN TRACK RECORD FOR VALUE CREATION, ARE ENORMOUS.

A series of proposals have been announced to boost small entrepreneurs, which is creating credit demand in the market. All these changes will result in fresh financing opportunities for IndoStar. Recently, we have expanded our SME operations to 6 new locations. With this, we are now present in 10 major cities of India; namely Hyderabad, Chennai, Bengaluru, Mumbai, Pune, Surat, Ahmedabad, Jaipur, Delhi and Indore. We are confident of achieving success in the SME financing segment. Our unique proposition for clients from this domain is that we offer customised loans that take into account not only their funding requirements but their cash-flow patterns so that repayments do not impinge on their growth.

During the year, we received a Housing Finance licence from the National Housing Bank for our 100% owned Housing Finance Subsidiary - IndoStar Home Finance Private Limited. The well-considered, strategic gambit to enter this segment has been validated by the plethora of policy initiatives that have been undertaken by the government in the real estate and affordable housing sector. These include refinance of individual housing loans by the National Housing Bank, larger allocation under the Pradhan Mantri Awas Yojna, granting industry status to affordable housing and profit-linked income tax deductions for promoters, based on carpet area instead of built up area. All these measures reinforce our confidence that this sector holds enormous opportunity in the future and the belief that our entry has been timed well.

Further, we look forward to our advent into Asset financing while adding more products in our Mortgage financing category as we envisage immense demand for funds in these segments. In our assessment, this funding opportunity provides a win-win situation for both IndoStar and our clients. As a lender, it gives us an opportunity to expand and diversify our loan portfolio with minimal risk, due to the secured nature of such loans. At the same time, our borrowers have access to funds that enable them to build assets.

Last, but certainly not the least, we will continue to focus on our corporate lending business as it is the foundation on which we have grown so far. We will continue to make efforts towards servicing the entire needs of existing clients while we augment our client base in this segment.

In all the segments in which we operate, we strive to excel in customer service as we realise that their satisfaction is the key to our growth. Towards this end, we foresee the development of new branches for customer outreach, larger teams to cater to customers,



INDOSTAR IS PREPARED TO MAKE THE MOST OF THESE OPPORTUNITIES WITH THE STRENGTH AND STABILITY THAT IT HAS BUILT UNTIL NOW. OVER THE PAST SIX YEARS, THE COMPANY HAS CEASELESSLY WORKED TOWARDS IMPROVING THE PERFORMANCE. THESE EFFORTS HAVE DELIVERED DESIRED RESULTS AS WE NOW HAVE A DIVERSIFIED AND GROWING ASSET BOOK, STRONG RELATIONSHIPS WITH CUSTOMERS, ENCOURAGING ESCALATION IN REVENUES AND IMPROVEMENT IN PROFITABILITY AND CREDIT QUALITY.

more products to meet their financial needs and more segments of clients to service.

At IndoStar, we have PROVEN PERFORMANCE that is reflected in our consistently exceptional financial metrics. During the year, our Total Income increased by 12% from ₹ 644 crore to ₹ 720 crore. Our PAT also kept pace, increasing by 10% to ₹ 211 crore in FY17. Our Net Worth saw a leap of 23% to ₹ 1,903 crore and Total Assets increased by 17% to ₹ 5,489 crore and our borrowings increased by 12% to ₹ 3,373 crore during the same period.

Over the past six years, IndoStar has ceaselessly worked towards improving its performance. These efforts have delivered desired results as we now have a diversified and growing asset book, strong relationships with customers, encouraging escalation in revenues and improvement in profitability and credit quality. With carefully crafted strategies, that are buttressed by sophisticated analytics, a conservative operating philosophy and a well-defined risk appetite framework, we are geared for the next phase of growth.

Despite these achievements, we see ourselves at a point of inflection in anticipation of an acceleration of growth due to a transformation in our business boundaries. We are now looking ahead with excitement as we are TRANSFORMING TO GROW.

While the journey has been exciting so far, we are confident that the best is yet to come. The economy is transforming and preparing to move to a higher trajectory of growth and IndoStar sees itself as a partner in this mission as we meet the rapidly growing funding needs of various segments of the population, in the times ahead.

I would like to take this opportunity to express my gratitude to our shareholders, my colleagues, our customers and business partners who have contributed to our performance so far. With your support and trust in our vision and capabilities, we foray forward into FY2018 and beyond, with great enthusiasm and optimism in our mission to transform for growth.

Regards,

R. Sridhar

Executive Vice-Chairman and CEO

THIS IS INDOSTAR



Over the span of six years, IndoStar has built its Corporate Lending business and has cemented relationships with large corporates while providing them financial assistance. The Corporate Lending practice at IndoStar specialises in offering customised, structured solutions to meet funding requirements of mid-to-large corporates.

Corporate lending being a core strength, the Company forayed into the SME segment in 2015 and now it offers loans to SMEs in 10 major cities of India. IndoStar proposes to commence Asset Finance operations and Home Loan operations by H2 FY18.

We have built a strong base of client relationship by catering to more than 80 large and mid-sized corporates across India. Being sector agnostic, IndoStar has financed projects across sectors including real estate, cement, power, media, entertainment, dairy, financial services and infrastructure.

IndoStar is well regarded for its credit analysis and structuring capabilities in Corporate Lending. The Company has an active debt capital markets desk, which offers underwritten debt solutions to enable cost effective borrowing programmes for its clients. Corporate lending being a core strength, the Company forayed into SME Loan Against Property segment in 2015. In a span of two years, the SME LAP business spread across 10

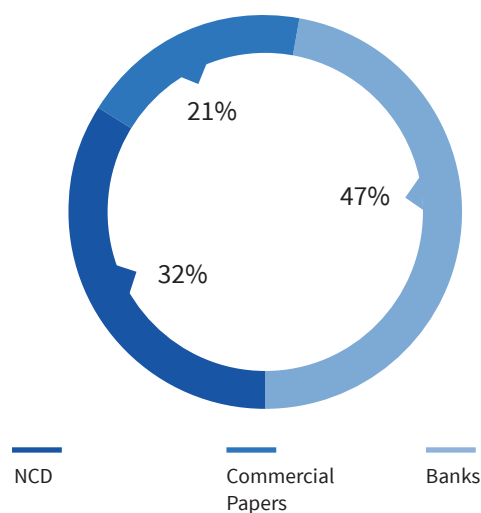
locations in India to offer financial assistance for business expansion. During this expansion, we realised there is a huge demand gap in the remote sections of India. Thus, we intend to contribute towards the growth of the budding MSME segment by introducing more solutions to retail customers. Our focus in the coming years will be to enhance our product portfolio by adding Asset Financing and introducing more products under Mortgage Financing.

The Home Finance Business and Asset Finance Business is likely to commence operations by H2 FY18. Currently, we are in the process of firming up our Business Plans and putting in place the Distribution Network required to start the businesses.

Resource Mobilisation

IndoStar's approach to business and its conservative balance sheet philosophy has helped it develop a diversified base of lenders/investors. This, in turn, has helped reduce cost of funds for the Company and cater to its clients consistently, despite market vagaries.

IndoStar has mobilised resources as part of its liability planning from the banking system as well as from capital and money markets. The Company has relationships with over 25 banks, leading mutual funds, financial institutions and insurance companies. A consistent focus on building relationships with financial institutions, mutual funds and large investors strengthens IndoStar as a brand in the credit space.



Credit Ratings

As on May 10, 2017, IndoStar has been assessed with the highest short-term Rating of A1+ (plus) by Credit Analysis & Research Ltd (CARE), ICRA Limited and CRISIL Limited. It has been assessed with AA - (minus) for its long-term borrowings by CARE and India Rating & Research Private Limited (Fitch Group).

Snapshot of Borrowings

₹3,750Cr

Long-term borrowings

₹1,500Cr

Short-term borrowings

STRONG SPONSORS



IndoStar is privileged to be backed by globally acclaimed and reputed financial institutions and private equity players. Beyond capital sponsorship, their expertise, is an important resource that the Company treasures and constantly taps into. With their support and guidance, IndoStar has become a growing Credit Institution and a force to reckon within the financial sector.



EVERSTONE GROUP

Founded in 2006 by Atul Kapur and Sameer Sain, the Everstone Group is an India and Southeast Asia focussed investor with dedicated private equity and real estate funds. Headquartered in Singapore with Assets Under Management of approximately US\$ 4 billion, Everstone has significant resources and a strong institutional platform. Everstone has more than 200 people working across six offices - Singapore, Mumbai, Delhi, Bengaluru, Mauritius and London.

Everstone has a strong partnership-oriented culture and truly believes in working closely with entrepreneurs, corporations, asset owners and service providers to achieve mutual success. Everstone has an active operational, hands-on approach to its private equity and real estate investment management businesses with a focus on companies that benefit from domestic consumption within India and several other sectors such as energy and infrastructure services. It has been awarded 'Mid-Market Firm of the Year in Asia' for 2016, as well as 'Private Equity Firm of the Year in India' by Private Equity International for six consecutive years from 2011 to 2016.



GOLDMAN SACHS

Investment funds managed by the Goldman Sachs Investment Partners team, which is part of Goldman Sachs Asset Management.



BEACON INDIA PRIVATE EQUITY FUND (BIPEF)

BIPEF is a growth capital private equity fund with US\$ 320 million in AUM sponsored by Baer Capital Partners. BIPEF is registered in Mauritius and is regulated by the Mauritius Financial Services Commission.



ACPI INVESTMENT MANAGERS

ACPI Investment Managers is an independent, specialist provider of asset management solutions, managing assets in excess of US\$ 3 billion on behalf of institutional investors and high net worth clients from around the world. ACPI's expertise ranges across multiple asset classes such as equities, fixed income, cash management and alternative investments including client's principal investments.

The foundation of ACPI's business is the conviction that risk adjusted return, capital preservation and active portfolio management are of paramount importance.



CDIB

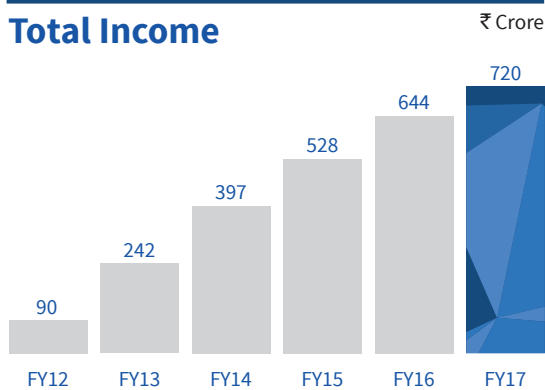
CDIB Capital was established in 2006, as the private equity arm of China Development Financial ("CDF" or the "Group"), with the objective to deploy and diversify the Group's proprietary capital outside of Taiwan.

CDF is one of the largest and most established merchant banking groups in Greater China and Taiwan's first and leading direct investment firm with over 50 years of investing experience in the region. CDF had pioneered venture capital, private equity and investment banking in Taiwan and had deployed more than US\$ 2 billion of proprietary capital in over 300 portfolio companies across the region.

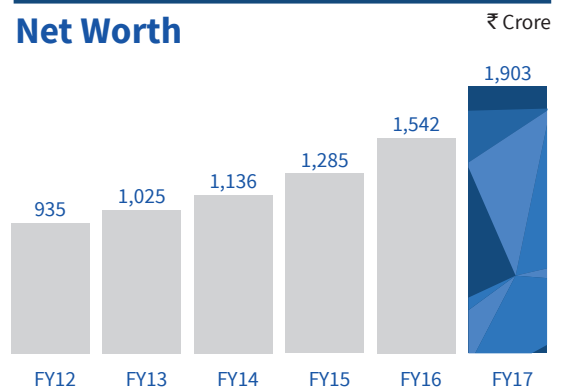
The combination of strong sponsorship and other shareholders, combined with a well-capitalised balance sheet and a highly profitable business, provides IndoStar an excellent base for the next level of growth.

PROVEN PERFORMANCE

The past six years have validated our efforts and intentions to prove our performance to our stakeholders. With a sustainable performance under our belt, we look forward to transformation and growth in the years ahead...



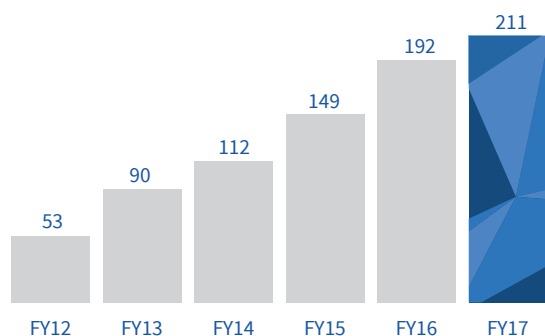
Our total income has increased at a robust **CAGR of 52%** between FY12 and FY17.



Our net worth has also more than doubled over the past six years, marking a **CAGR of 15%**.

Profit After Tax

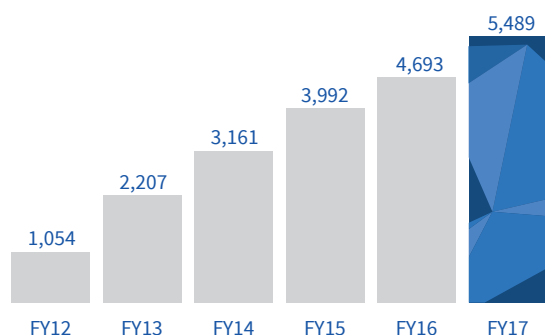
₹ Crore



IndoStar's Profit After Tax has grown steadily at a **CAGR of 32%** between FY12 and FY17, despite a challenging macro-economic environment.

Total Assets

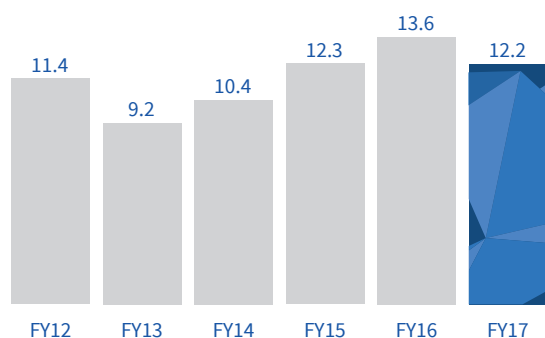
₹ Crore



Assets have increased at a **CAGR of 39%** from ₹ 1,054 crore in FY12 to ₹ 5,489 crore in FY17.

Return on Net Worth

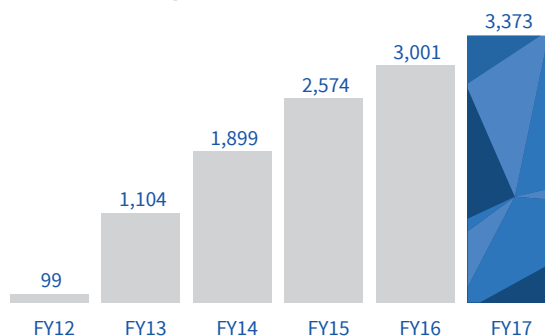
(%)



Rewarding the trust of our shareholders, our return on Net Worth has grown steadily to **12.2% in FY17**.

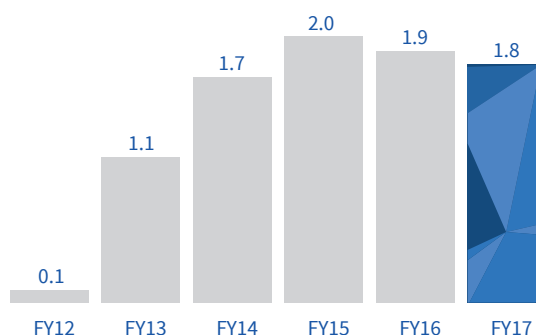
Borrowings

₹ Crore



IndoStar's borrowings have grown at a **CAGR of 102%** over the past 6 years, reflecting the confidence of institutional credit markets.

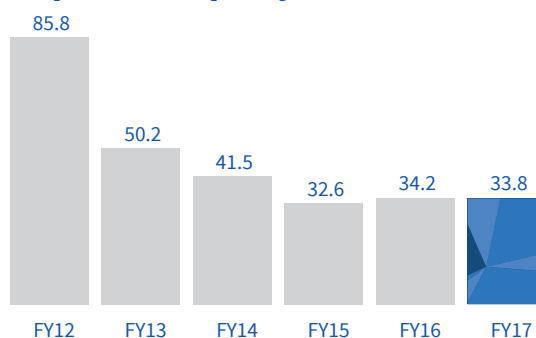
D/E Ratio



Our Debt/Equity ratio of **1.8** provide us with significant headroom for growth.

Capital Adequacy Ratio

(%)



High capital adequacy gives us significant scope for growth.

EMPHASIS ON STRONG GOVERNANCE PRACTICES

At IndoStar, we believe that sound corporate governance practices are the bedrock for the functioning of our Company. Following such practices enables creation of value for all our stakeholders on a sustainable and long-term basis. It is this philosophy which is our guiding light as we define and maintain an ethical framework within which we operate.

To ensure that our philosophy is internalised and translated into effective governance, we have put in place various committees and delegated powers for different functional areas so that they can effectively oversee the adoption of good corporate governance practices.

The Audit Committee, the Credit Committee, the Asset-Liability Management Committee, the Risk Management Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, the Debenture Committee and other Committees have been constituted in compliance with various laws applicable to the Company and for meeting internal requirements and operational convenience. The composition of these Committees, number of meetings held and attended by respective members, the roles, powers and responsibilities of the Committee members are all clearly enumerated.

In our experience of the past six years, our emphasis on governance and compliance has built up the trust and faith for all stakeholders and culminated in long-term relationships with our sponsors, employees, clients and all other stakeholders. On the back of good governance, transparency and customer-centric solutions, IndoStar is forging ahead in the Indian financial ecosystem.



LASTING RELATIONSHIPS

Marquee Clientele



SME success stories



**DENTAL CLINIC BY
DR. SHUBHASHINI**

I approached IndoStar with a specific need of funds to start my own clinic. I am glad to say that the funds were given to me in a brisk time which helped to make my dream come true. I could successfully set my clinic and everything seems to be working fine now.

Thanks again to the team!!

Dr. Shubhashini, Bengaluru



**KIRAN KHATIK
LIVES DREAM OF A
RESTAURATEUR**

I own a cold storage and milk product shop in Mumbai and I had a dream to own a restaurant. IndoStar has helped me to fulfil my dream by funding my restaurant. They helped me process loan on time and simplified documentation for me. My restaurant has completed more than 2 years and I am very happy to live my dream.

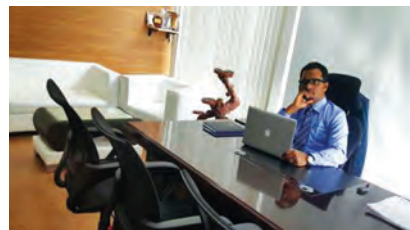
Kiran Khatik, Mumbai



**BECHAN PRASAD
PARTNER OF
TRIMURTI
FOOTWEAR**

Ten years ago, our Trimurti retail footwear store was a small shop in the basement of a building at Karol Bagh in Delhi. We always wanted to open a store in the main market for good business. This was only possible with support of IndoStar's quick and easy loans. We have now opened up a bigger retail shop in prime location of Karol Bagh and have also added more stocks helping us grow our business.

Bechan Prasad, Delhi



**SHIVARAJ
GOWDA'S
QUEPREON**

Quepreon is a six and half year old pharmaceutical company which functions into contract manufacturing of life saving injectables. We had approached IndoStar for working capital requirement and we received funding from them in quick time. This helped us grow our revenue and product basket, opening overseas market for us. IndoStar also provided us with additional finance for business growth. IndoStar has really partnered us in our transformational growth.

Shivaraj Gowda, Bengaluru

STRATEGIC OVERVIEW



THE RETAIL FORAY

With the massive opportunity that lies in the demographics of our country, we seek to play a more participative role in the retail sector. As GDP increases at a steady rate, incomes at the family level are increasing too, and so are aspirations. However, a large proportion of our country finds it difficult to access loans to meet these aspirations, despite having a suitable credit profile. According to some estimates, 20-40% of our population is still unbanked or has dormant accounts and even those that do have bank accounts, largely on account of the ambitious financial inclusion initiative - the Pradhan Mantri Jan Dhan Yojana (PMJDY), still do not have access to loans from the formal financial sector. Going ahead, we look forward to financing the housing needs of this segment.

Moving in this direction would have multi-pronged benefits. On one hand, it would broaden the scope of business for IndoStar and enable us launch a whole new range of customised products. At the same time, it would diversify our portfolio as it would entail lending smaller ticket amounts to a much larger spread of customers. This will present a diversified contrast to our initial model of offering big ticket loans to a small number of corporates. Last, but not the least, it would enable us to participate in the demographic dividend that India is set to reap.

In the coming years, we plan to add more products under Mortgage Finance and also venture into Asset Financing. FY18 is going to be a crucial year for us as we are going to expand into new geographies with new teams and new products. While adding new products we will be growing and strengthening our core Corporate Lending business.

SME LENDING

Another opportunity that IndoStar has embarked upon is funding of the Small and Medium Enterprise sector. Here again, the scope is vast as the SME forms the backbone of the Indian economy. According to the SME Chamber of India, "Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40%

of exports, 42 million in employment, create one million jobs every year and produces more than 8,000 quality products for the Indian and international markets." However, a major obstacle to the growth of this sector has been the limited availability of finance from formal financial institutions due to lack of experience, absence of collaterals and infrastructure, poor financials and small ticket size. IndoStar, with its strong governance, client service and product innovation at its core, is suitably geared to provide structured solutions to meet the debt requirements of the SME sector.

LEVERAGING TECHNOLOGY

Other aspect of IndoStar's strategy of transformation for growth is the use of technology to facilitate its business. With user-friendly platforms and applications, credit appraisals, completing KYC and acquisition of clients becomes faster and more transparent. Further, data and analytics have become a crucial tool in most businesses today, especially those in the financial sector. Keeping these in mind, IndoStar envisages a greater role for technology within its operations.

EXPANDING REACH & PRESENCE

Finally, with the motive to serve retail clients, IndoStar expects to expand to new geographies in the years ahead. We have firm plans in place to expand our footprint across India in the coming year. With this expansion in physical presence, we plan a concomitant increase in human resources, systems and processes too.

SOCIAL UPLIFTMENT INITIATIVES



Weighing activity conducted in Balwadi at Shahapur village under Malnutrition Programme

In line with our CSR policy, we have channelled our efforts into supporting sanitation, empowering women through skill development and providing education to students from the weaker sections of society. We selected five NGOs to help us execute various project in these areas and chose projects that are around Mumbai and Pune, so that we could monitor them on a regular basis.

PRATHAM

IndoStar, along with the Pratham Mumbai Education Initiative, worked to improve the learning levels of children in the focussed age group of 3 to 14 years. The project also aims to address issues of child vulnerability. This programme was carried out in 40 communities of Quresh Nagar and Sangharsh Nagar slums in Kurla. It benefited around 6,113 children and 1,682 parents through a series of interventions planned to improve their learning levels as well provide the children with a good community

to live in. In order to emphasise the importance of involvement of parents in the learning of the children, as well as increase parent's interaction with the children, Pratham connected with the parents of these children and taught them simple techniques through which they could teach their children at home and inculcate good habits and morals in them too.

AVASARA

IndoStar supported two programmes of Avasara, namely, Avasara Academy and Avasara Leadership Fellows (ALF) Programme.

Avasara Academy - This is a school in Pune, for girls aged between 12-18 years (6th - 9th grade), which follows the internationally recognised Cambridge curriculum. There are a total of 150 students in the academy. IndoStar has provided half-scholarships to 10 students and four-month scholarships to one student for the academic year 2016-17.



WE SELECTED FIVE NGOs TO HELP US EXECUTE VARIOUS PROJECTS IN THESE AREAS AND CHOSE PROJECTS THAT ARE AROUND MUMBAI AND PUNE, SO THAT WE COULD MONITOR THEM ON A REGULAR BASIS.



Balwadi programme by Pratham

Avasara Leadership Fellows (ALF) -

This programme is a selective, intensive, after-school enrichment programme for 8th and 9th standard Mumbai University girl students. It is held in the premises of the American Business School, Mumbai. All ALF fellows come from low-income backgrounds. The programme runs from 3:30pm to 6:45pm, on Mondays to Fridays, and includes some weekend and holiday sessions too. It provides the students with a range of opportunities and experiences to develop their personal leadership style and achieve academic excellence. IndoStar had supported 75 students enrolled in this programme.

POPULATION FIRST

IndoStar, along with Population First, adopted 15 villages in Shahapur in the Thane district, with the intent to enhance the economic, social and political empowerment of women and girls in rural communities. This programme is known as Action for Mobilization of Community Health Initiatives (AMCHI).

The project activities include:

- Economic empowerment of women through livelihood initiative of vermi-composting.
- Political empowerment of women through strengthening of Mahila Gram Sabhas.
- Strengthening of women groups and village level monitoring committees to combat childhood malnutrition, increase the reach of ante-natal and post-natal care to promote healthy motherhood, engage school children to promote hygiene and sanitation at a personal, family and community level.

SHELTER ASSOCIATES

IndoStar, in association with Shelter Associates (SA), constructed 100 toilets in Ambedkar Nagar, Pune, under the 'One Home One Toilet program' (OHOT). SA developed a cost-sharing model

for the OHOT scheme, where necessary construction material for building a toilet was provided at the doorstep while the beneficiaries constructed the toilet at their expense. Provision for a mason was facilitated, if required, and that cost was borne by the beneficiaries.

CENTRE FOR ENVIRONMENTAL RESEARCH AND EDUCATION (CERE)

IndoStar is providing financial assistance to CERE for setting up a rainwater harvesting project at Naigaon Police HQ near Dadar. This will facilitate access to clean drinking water and augment the present supply of water to 2,335 families at Naigaon Police HQ.

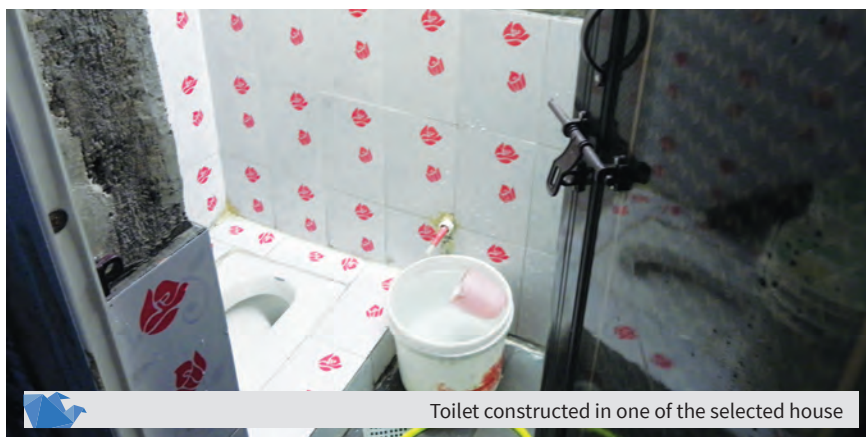
The Project envisages:

- Repair and recharge of 9 dry and defunct borewells.

- Creation of a rainwater harvesting system by digging percolation trenches so as to recharge dry, open wells and borewells.
- Creating awareness on water conservation and the project amongst the community residing and working at the Naigaon Police HQ.



INDOSTAR, IN ASSOCIATION WITH SHELTER ASSOCIATES (SA), CONSTRUCTED 100 TOILETS IN AMBEDKAR NAGAR, PUNE, UNDER THE 'ONE HOME ONE TOILET PROGRAM' (OHOT).



Toilet constructed in one of the selected house



Women packing manure from vermi-compost pits

BOARD OF DIRECTORS AND CFO PROFILE

DHANPAL JHAVERI **DIN: 02018124**

Mr. Jhaveri, Non-Executive Chairman of the Board, has over 24 years of experience in investments, corporate strategy, M&A and investment banking. He holds a Bachelor of Commerce degree from the University of Mumbai and an MBA from Babson College, Graduate School of Business, USA. He represents Everstone Capital on the Board of IndoStar.

SAMEER SAIN **DIN: 01164185**

Mr. Sain has over two decades of experience in a range of roles in corporate and retail finance, investment and institutional wealth management as well as Special Investment Group. Mr. Sain holds a BBA from the University of Massachusetts at Amherst and an MBA from Cornell University, USA. He represents Everstone Capital on the Board of IndoStar.

L. BROOKS ENTWISTLE **DIN: 00561480**

Mr. Entwistle has almost three decades of experience in private equity and investment banking. He holds an AB from Dartmouth College and an MBA from Harvard University. He represents Everstone Capital on the Board of IndoStar.

DEEPAK SHAHDADPURI **DIN: 00444270**

Mr. Shahdarpuri has over 19 years of successful private equity, venture capital experience and is an active angel investor focussing on businesses with a strong emphasis on food and beverage value chain. He holds LLB (Hons) degree from King's College, University of London; an MBA from INSEAD, where he graduated in the Deans' List; and FCA from the Institute of Chartered Accountants of England and Wales. He represents Baer Capital on the Board of IndoStar.

ALOK OBEROI **DIN: 01779655**

Mr. Oberoi has almost three decades of experience of which he has 14 years in Private Wealth Management and around 16 years in Principal Investments and Private Wealth Businesses. He holds a Master's in Business Administration and a Bachelor's of Science from Cornell University. He represents ACPI on the Board of IndoStar.

SHWETA BHATIA **DIN: 03164394**

Ms. Bhatia has over 15 years of experience in private equity and investment banking. She received her Bachelor of Arts degree magna cum laude in Economics and Computer Science from Smith College, Massachusetts and holds an MBA from Harvard Business School. She represents Goldman Sachs on the Board of IndoStar.

VIMAL BHANDARI **DIN: 00001318**

Mr. Bhandari has over three decades of experience in the financial services industry. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor of Commerce degree from the University of Mumbai. Mr. Bhandari has also attended Advanced Management Programs at the International Institute of Management, Lausanne, Switzerland. He is currently on the Board of IndoStar as a Non-Executive Director.

ERIC STUART SCHWARTZ **DIN: 03510540**

Mr. Schwartz has nearly three decades of financial services experience. He completed his MBA and graduated with a B.S.E. (summa cum laude) from the Wharton School, University of Pennsylvania, USA. He is on the Board of IndoStar as an Independent Director.

BOBBY PARIKH
DIN: 00019437

Mr. Parikh has nearly three decades of experience in advising clients in the areas of entry strategy, business model identification, structuring a business presence, M&A and other business re-organisations. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor of Commerce degree from the University of Mumbai. He is on the Board of IndoStar as an Independent Director.

D. SIVANANDHAN
DIN: 03607203

Mr. Sivanandhan is a highly regarded retired IPS Officer with an illustrious career spanning 36 years. He retired as DGP of Maharashtra Police in 2011. He has also served as Commissioner of Police of Nagpur, Thane and Mumbai. He worked with the RBI as Security Advisor for three years. He is a Post Graduate in Economics and holds a Masters in Arts from the University of Madras. He is on the Board of IndoStar as an Independent Director.

RAVI NARAIN
DIN: 00062596

Mr. Narain has been with the National Stock Exchange (NSE) since its inception, and was the MD & CEO of the Exchange for 12 years, before he joined the NSE board as Vice-Chairman in a non-executive position. He has a degree in Economics from Cambridge University, UK and a degree in Business Administration (Finance) from Wharton School, University of Pennsylvania, USA. He is on the Board of IndoStar as an Independent Director.

SHAILESH SHIRALI
DIN: 06525626

Mr. Shirali, Whole-Time Director at IndoStar is responsible for the Corporate Lending and Markets business segment of the Company. He has over 24 years of experience in the financial services space and has held several senior positions in the area of corporate lending and structured finance. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor of Commerce degree from the University of Mumbai.

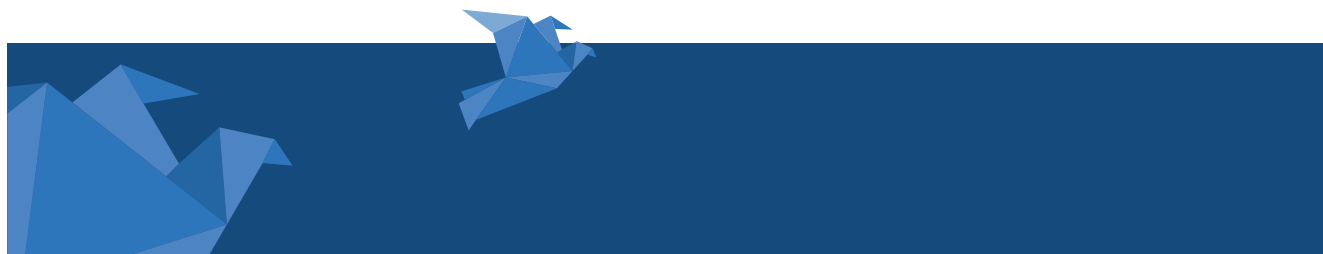
R. SRIDHAR
DIN: 00136697

Mr. Sridhar, Executive Vice-Chairman and CEO at IndoStar is responsible for the overall supervision, management and functioning of the Company. Mr. Sridhar has over three decades of experience in the financial services industry and had been associated with the Shriram Group since 1985 and held the position of Managing Director & CEO of Shriram Transport Finance Company Limited for over a decade since the year 2000. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor's degree in Science.

PANKAJ THAPAR,
CHIEF FINANCIAL
OFFICER

Mr. Thapar is responsible for the Company's finance and business support functions. He has over three decades of experience across banks and major corporates. He holds a Bachelor of Commerce degree and an MBA from the University of Delhi.

MANAGEMENT DISCUSSION AND ANALYSIS



Economy Overview

GLOBAL

Global economic growth is projected to accelerate in 2017 as investment, manufacturing and trade are expected to rebound. Stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply, have helped commodity prices recover from their troughs in early 2016. Higher commodity prices have provided some relief to commodity exporters and helped lift global headline inflation and reduce deflationary pressures.

Global growth for the year 2016 stood at 3.1% and is projected to rise to 3.4% and 3.6% for the years 2017 and 2018, respectively. Activity in both advanced economies and emerging economies is forecast to accelerate in FY17-18. Advanced economies are estimated to grow by 2.0% in 2017 and 2.0% in 2018; this forecast will particularly remain uncertain in light of potential changes in the policy stance of the United States under the new administration. Emerging markets grew at 4.1% in 2016, and are projected to reach 4.5% for 2017 and 4.8% for 2018.

Global Growth (%) –

Particulars	Actual		Projections	
	2015	2016	2017	2018
World Output	3.1	3.1	3.5	3.6
Advanced Economies	1.9	1.7	2.0	2.0
United States	2.4	1.6	2.3	2.5
Euro Area	1.6	1.7	1.7	1.6
Japan	0.5	1.0	1.2	0.6
United Kingdom	2.2	1.8	2.0	1.5
Other Advanced*	2.0	2.2	2.3	2.4
Emerging and Developing Economies	4.0	4.1	4.5	4.8
China	6.9	6.7	6.6	6.2

*Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom and United States) and Euro area countries.

(Source: WEO April 17)

INDIA

The Indian economy is expected to embark on a higher economic growth trajectory in FY18, owing to proactive measures taken by the government as well as favourable economic conditions expected to prevail during the course of the year. The economy is also expected to expand on the back of increased government spending on infrastructure, a pick-up in private investment, a good monsoon and a surge in consumer spending, with pent up demand being satiated. The implementation of the Goods and Services Tax (GST) has the potential to spur the economy further. The outlook for the Indian economy looks positive with the economy expected to grow at more than 7.5% in FY18.

Inflation displayed a mixed picture in FY17. While CPI inflation moderated during the course of the year, from 5.4% in April 2016 to 3.8% in March 2017, aided by lower food prices, WPI inflation increased continuously during the year from 0.8% in April 16 to end the year at 5.7% in March 2017, with the increase in fuel and manufactured goods prices. In FY18, there is an upside risk to the inflation due to a possible increase in global crude oil prices and a firming up of commodities. Domestically, any disturbance in the spread of the monsoon or the impact of the 7th Pay Commission allowances could exert an upward pressure on the prices.

Financial Industry Overview

India's diversified financial services sector is undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The banking regulator has allowed the setting-up of small finance banks and payments banks, adding to the types of entities operating in the sector.

The financial services sector in India predominantly comprises banks, with commercial banks accounting for more than 64% of the total assets held by the financial system, although private players are gaining market share gradually. Non-Banking Financial Companies (NBFCs), particularly in Housing Finance and Micro Finance, have been growing fast and gaining market share. This is on the back of government initiatives such as 'Affordable Housing', 'Housing for All by 2022' and all-around development, which has created huge demand for credit in these segments. RBI, in its Financial Stability Report of June

2017, stated that the performance of NBFCs was relatively better than that of Public Sector Banks during 2016-17. The credit growth of scheduled commercial banks remained sluggish while the aggregate balance sheet of the NBFC sector expanded by 14.5%.

Several measures have been undertaken to liberalise, regulate and enhance these segments of the industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching of Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guidelines to banks regarding collateral requirements, etc. With a combined push by both the government and private sector, India is undoubtedly one of the world's most vibrant markets for the financial services industry.

At a broader level, India is on a mission to reduce cash usage in the economy. This will potentially lead to improvement in credit access and financial inclusion, benefiting the growth of Small and Medium Enterprises (SMEs) over time. This would also reduce tax avoidance and money laundering due to the higher traceability of all the transactions, which will boost the tax base.

There has been a strong regulatory push for harnessing technology in the financial services sector.

Digitisation is changing the way the sector operates. The financial services sector has been one of the largest users of smartphone technology to drive and facilitate customer access and customer servicing. Due to digitisation, the sector has seen significant changes, such as improved customer experience, a reduction of costs for financial companies and customers and an increase in productivity. With more digital data available with banks, they can take data-driven decisions by using digital analytics. The increasing cashless transactions have enhanced transparency in the system and brought tax administration reforms to drive e-assessments.

DEMONETISATION

As an immediate consequence of demonetisation, growth in the NBFC sector moderated during the second half of FY 17. Most credit institutions saw a slowdown in fresh disbursements in November 2016 and a demand drop in December 2016. The impact was more for portfolios exposed to the retail segment, real estate, informal/self-employed segment and businesses with high cash dependence. Businesses with exposure to rural, commercial vehicles, two wheelers, gold and micro-finance institutions were adversely impacted. For rural India, the short-term adverse impact in November to December 2016 was significant due to issues relating to demonetisation of the Rupee. Strong agriculture output, higher Minimum Support



THE INCREASING CASHLESS TRANSACTIONS HAVE ENHANCED TRANSPARENCY IN THE SYSTEM AND BROUGHT TAX ADMINISTRATION REFORMS TO DRIVE E-ASSESSMENTS.

Prices (MSP) and a likely increase in government spending on rural infrastructure projects should benefit rural financiers in the medium term. As such, demonetisation did not have a significant impact on IndoStar's business. While the SME Loan business saw some impact on demand, and the payment ability of the borrowers was affected in the short-term, the repayment behaviour did not significantly change in the aftermath of demonetisation. SME's demand for credit was stable three months after the demonetisation announcement.

STRENGTHENING OF BANKRUPTCY LAW

The Bankruptcy Code has consolidated the existing framework and created a new institutional structure for fighting against bad loans. A new entity, the Insolvency and Bankruptcy Board of India, has been established to monitor the performance of insolvency agencies, insolvency professionals and information utilities, and pass any directions as may be required for compliance of the provisions of this Code and regulations issued thereunder.

Stressed assets in the banking system have reached unacceptably high levels and urgent measures are required for their resolution. The Reserve Bank of India has been given powers to identify specific bad loans and enforce quicker resolution, including giving orders to banks to take specific measures to deal with bad debts. Sale of assets, closure of non-profitable branches and reduction of overhead and business turnaround initiatives will be part of the resolution process.

EASE OF REPAYMENT THROUGH CASH

A new section, 269ST, was introduced in the last budget. It stated that cash payments/receipts of or over ₹ 2 lakh were made illegal and liable to attract a penalty. This created ambiguity as to whether the rule was applicable for a single instalment repayment or the entire repayment amount. But, the Income Tax department has now issued a clarification, stating that the prohibition of cash payments would only apply to repayment of a single loan instalment in cash and not to the aggregate amount. This will enhance the ability of NBFCs to accept partial or full loan repayments in cash, thus providing leeway on the collections front.

NBFC INDUSTRY

Non-banking finance companies (NBFCs) have scripted a great success story in the past few years. Their operating environment has been improving at a gradual pace. With the economy on the mend, loan disbursements have picked up in most segments, funding costs are coming down and several banks are facing capital constraints, giving NBFCs a foot in the door. In terms of financial assets, NBFCs have recorded a healthy growth at a CAGR of 19% over the past few years. They account for 13% of the total credit, which is expected to reach nearly 18% by 2018. With the on-going stress in the public sector banks due to mounting bad debt, their appetite to lend (especially in rural areas) is likely to reduce, thereby providing opportunities for NBFCs to increase their presence.

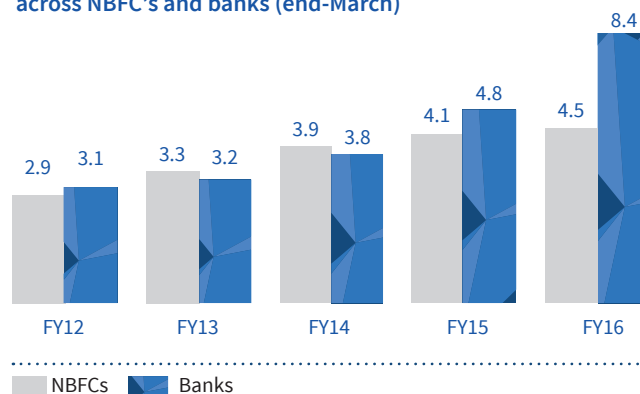
The success of NBFCs can be clearly attributed to their better product design, lower cost, wider and more effective reach, strong risk management capabilities to check and control bad debts, and a better understanding of their customer segments. In addition to showing strength in their traditional bastions (passenger and commercial vehicle finance), they have also managed to build substantial assets under management (AUM) in housing and personal loans. Going forward, the credit demands of an emerging India will create room for NBFCs to fill the gap, especially where traditional banks have been wary to serve. Additionally, improving macro-economic conditions, higher credit penetration, increased consumption and disruptive digital trends will allow NBFC's credit to grow at a healthy rate of 7–10% (real growth rate) over the next few years.

Driven by higher disposable incomes through increased effectiveness of government schemes and the 7th Pay Commission, there is healthy growth potential in the consumer finance segment. On the SME front, business and professional loans also seem to be on a growth trajectory.

NON-PERFORMING ASSET (NPA)

The quality of assets of the financial services sector has been deteriorating since 2012. However, the NPAs of NBFCs remained relatively lower than the NPAs of the banking sector. RBI norms are getting more stringent and focused on keeping the portfolio quality healthy.

NPAs (gross NPA to gross advances ratio)
across NBFC's and banks (end-March)



Source: RBI Supervisory Returns and Annual accounts of banks

GOVERNMENT INITIATIVES

National Housing Bank will refinance individual housing loans of about ₹ 200 billion in 2017-18. This will positively impact housing finance companies in line with the policy objectives of Housing for All by 2022.

- The government has allowed 100% FDI in 'other financial services' carried out by NBFCs, continuing with the liberalisation of the overseas investments regime. Other financial services will include activities which are regulated by any financial sector regulator RBI, SEBI, IRDA, PFRDA and National Housing Bank.
- Profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built-up area of 30 and 60 sq. mtr. will be counted, thus making it more attractive.
- Increased allocation under MUDRA loans to ₹ 2.44 trillion to support small entrepreneurs.
- Affordable housing has been given Infrastructure status, which will provide a further push for the sector as developers will now be able to gain access to preferential and lower borrowing rates from banks.
- Allocation under Pradhan Mantri Awas Yojna - Gramin has been increased to ₹ 230 billion in FY18 from ₹ 150 billion in FY17. This is to cater to the housing needs of the mid-income group, besides the economically weaker sections and low-income group.

REGULATORY INITIATIVES

- Efforts were made to further improve the quality of the Central Repository of Information on Large Credits (CRILC) data by modifying its reporting mechanism with respect to external ratings and industry.
- The Business Correspondent model, which has been at the heart of financial inclusion efforts by the Reserve Bank, has been scaled up further to expand its outreach to remote rural areas through registry, certification and training.
- Following the 'Payment and Settlement Systems in India – Vision 2018,' payment infrastructure will be stepped up to address the five Cs, namely Coverage, Convenience, Confidence, Convergence and Cost.
- To address customer services related concerns in the non-banking segment, the Reserve Bank will also take up the issue of designing an appropriate ombudsman scheme for NBFCs.

Growth Drivers for NBFCs

SME SECTOR

The Small and Medium Enterprises (SME) sector is the backbone of the national economic structure and has unrelentingly acted as the bulwark for the Indian economy. The sector has consistently maintained a growth rate of over 10%. About 55.3% of the SMEs are based out of rural areas, which indicate the deployment of significant rural workforce in the SME sector.

While SMEs are vital in integrating any economic system in society, they face several challenges, the most prominent amongst them being the availability of low-cost and timely finances for growth and expansion. For SMEs to grow and compete with corporates, all they need is newer and competitive sources of financing apart from traditional sources.

The Government has prioritised its focus towards the rural economy through schemes like MNREGA, Pradhan Mantri Gram Sadak Yojna, Deen Dayal Upadhyaya Grameen Kaushalya Yojna, and Pradhan Mantri Kaushal Vikas Yojna. These, along with flagship schemes like Make in India and Digital India initiatives, are also leading the effort to tap the potential of SMEs. The vision is to help increase the SMEs' share of GDP to 20-25% by 2025 from 17% as of now. These initiatives are expected to help overcome awareness barriers, technological hurdles, funding and training obstacles that confront the SME sector.

HOUSING SECTOR

The Housing Finance sector's resilience has much to do with strong asset quality with gross non-performing assets as low as 0.8%. This has enabled Housing Finance companies (HFC) to maintain low credit costs. Coupled with low operating expenses, it has helped keep profitability steady with the return on assets (RoA) at 2.1%.

The mortgage segment witnessed some disruption due to demonetisation, with Developer Financing and Loan Against Property (LAP) segments affected by a slowdown in growth over the near to medium term. In the LAP segment, there were concerns on risk build-up due to a potential drop in property prices, but these seem to have abated.

Going forward, Government policies are expected to play a big role in improving the prospects of housing sector as low cost (<₹ 200k/unit) rural housing construction has already doubled to 2.5m units per year. At the same time, urban social-housing construction is set to pick up momentum from CY17. On a broader canvas, the Pradhan Mantri Awas Yojana (PMAY), a credit linked subsidy scheme (CLSS) to support affordable (₹ 0.2-0.5m) housing construction is expected to also gain traction by late FY18 or early FY19.

CLSS scheme will be beneficial for economically weaker section (EWS) and low income group (LIG) home buyers availing a 20-year loan of ₹ 12 lakh and ₹ 6 lakh & below as the reduction in their EMI could be up to ~22% and ~45%, respectively. Thus, the effective interest paid on a home loan could be significantly lower for some categories. This would substantially increase the incentive for home buyers.

IndoStar Home Finance Private Limited, 100% subsidiary of IndoStar Capital, in line with the government's agenda will be focussing on Affordable Housing Finance while providing other Home Finance products under its gamut of offerings.



WE AT INDOSTAR OFFER CUSTOMISED LOANS TO SMEs TO SUIT THEIR CREDIT REQUIREMENT. OUR LOANS ARE USUALLY OF LONGER TENURE SO THAT THE BORROWER CAN CONCENTRATE ON BUSINESS GROWTH WITHOUT STRAINING ITS PROFITS.



THE COMPANY IS OPTIMISTIC ABOUT THE ASSET FINANCE AND HOME FINANCE SECTORS AND SEES SIGNIFICANT OPPORTUNITIES IN THIS SPACE. INDOSTAR PROPOSES TO COMMENCE ASSET FINANCE OPERATIONS AND HOME LOAN OPERATIONS BY H2 FY18.

Opportunities and Threats

OPPORTUNITIES

- Stance for economic development in India continues to be strong, leading to opportunities for growth in the NBFC space
- Government promoted initiatives like 'Housing for All by 2022' and 'Affordable Housing' will accelerate the pace of growth further
- Tapping un-banked areas through deeper distribution reach with local talent

THREATS

- The limit imposed for cash transaction by the regulator could become a constraint
- Finance sector is becoming very competitive with several new entrants
- If the economic environment is subdued, it could adversely affect business activities
- A deceleration in the fund flows in the economy could also play dampener

OUTLOOK

For a large and diverse country such as India, ensuring financial access to fuel growth and entrepreneurship is critical. This presents a strategic opportunity for NBFCs to ensure sustainable growth over a long term. Government's push and reforms in the core sector will unlock opportunities for financial inclusion and employment opportunities. With the objective of achieving all round growth within the economy, NBFC's will cater to the huge untapped opportunities in the financial system.

The reach of NBFCs, along with their strong understanding of the market, can help them position themselves as a better alternative to the traditional ways of banking. Furthermore, the Indian consumer is increasingly adopting digital as a way of daily life. India is currently the second biggest smartphone market, with a user base of 220 million, and is expected to cross 300 million users by 2017. Further, with the launch of the Digital India programme, a flagship programme of the Government of India to digitally empower society, NBFCs will have to find ways to serve the millennial customers through digital means.

IndoStar endeavours to maintain its track record of healthy growth and enhance rewards and profitability, meeting the expectations of its various stakeholders.

Company Overview

IndoStar is a reputed lending organisation and has credibly grown as an NBFC over the past six years of operations. It provides structured term finance to corporates and Loans to SME borrowers. The Company's tailor-made services meet specific customer requirements.

Sponsored by Everstone Capital, IndoStar is the first Indian NBFC to enjoy the support of leading global financial institutions, which includes Goldman Sachs, ACPI Investment Managers and others. IndoStar has been assessed with the highest short-term Rating of A1+ for short-term borrowings by CARE, ICRA and CRISIL and AA- for long-term borrowings by CARE and India Rating and Research Private Limited (Fitch Group).

The Company is optimistic about the Asset Finance and Home Finance sectors and sees significant opportunities in this space. IndoStar proposes to commence Asset Finance operations and Home Loan operations by H2 FY18. Currently, the Company is in the process of firming up business plans and putting in place the distribution network required to start this business.

Portfolio of Offerings

1. CORPORATE LENDING COMPRISES:



Secured Corporate Lending:

IndoStar provides structured lending solutions to mid to large sized corporates to help them achieve their strategic objectives and growth plans, without straining their operating cash flows.



Real Estate Financing:

IndoStar provides structured loans as well as loans at project levels for construction of commercial and residential properties, including late stage financing for inventory funding with a focus on minimising execution and construction risks.



Capital Market Financing:

IndoStar offers loans to promoters against listed securities, select unlisted securities and/or other tangible collaterals. The tenor of these loans ranges from one to three years.



Special Situation and Acquisition Financing:

IndoStar formulates specialised structured financing solutions for corporates to meet their funding requirements. The Company offers acquisition funding, promoter funding for equity buy back/take outs, family settlements and asset financing.



Debt Capital Market:

IndoStar builds and maintains strong partnerships with large Institutional Investors across market. The Company has established long-term relationships with many such reputed Institutional Investors and Private Wealth Investors who have co-invested with us in various transactions.

2. SME LOANS

IndoStar offers term loans against property to small and medium enterprises (SMEs), businessmen, traders, manufacturers and self-employed professionals. In the fiscal year 2016-17, the Company expanded its operation to 6 new locations which enables it to provide loans in 10 major geographies of India namely - Chennai, Hyderabad, Bengaluru, Jaipur, Surat, Ahmedabad, Mumbai, Pune, Delhi and Indore. The Company has set-up a robust team with the right mix of local and experienced professionals.

The SME segment in India is growing rapidly and IndoStar intends to participate in this large opportunity. It has well positioned itself as a preferred credit provider on the back of superior turnaround time and competitive product proposition. IndoStar continues to deploy technology as a means to improve customer experience. It has also invested in talent, technology and distribution to grow the business multi-fold. The Company's SME Loan book grew to ₹ 650 Crore as on March 31, 2017 from ₹ 223 Crore in last fiscal year. Currently, the SME business contributes to about 12% of IndoStar's total advances. The Company intends to take it to 25% of total advances over the next 12-18 months.

STRENGTHS

IndoStar is well capitalised and supported by leading global financial institutions like Everstone Capital, Goldman Sachs, Beacon India Private Equity Fund, ACPI Investment Managers and CDIB Capital, who provide financial assistance along with business expertise. Under its expert and strong management team it has made profits for six consecutive years.

STRONG MANAGEMENT TEAM

IndoStar has highly qualified and experienced professionals from the finance industry, with a healthy mix of corporate and retail lending experience.

DISCIPLINED AND RIGOROUS PROCESSES

IndoStar adheres to the highest ethical standards and demonstrates integrity and transparency in all of its dealings. While prudent risk-taking aligned with the Company's strategic priorities are fundamental to its business, IndoStar maintains a conservative framework to manage liquidity and capital. The Company continues to maintain high quality of assets, aided by strong credit/underwriting and collection processes.

ROBUST CREDIT OFFERING

Differentiated product offering in the form of structured products and the ability to customise transactions helps the Company offer better products to its customers. Strong credit/underwriting and the Company's selective approach to lending ensure the quality of its loan asset portfolio.



IN THE FISCAL YEAR 2016-17, THE COMPANY EXPANDED ITS SME LOANS OPERATION TO 6 NEW LOCATIONS WHICH ENABLES IT TO PROVIDE LOANS IN 10 MAJOR GEOGRAPHIES OF INDIA NAMELY - CHENNAI, HYDERABAD, BENGALURU, JAIPUR, SURAT, AHMEDABAD, MUMBAI, PUNE, DELHI AND INDORE.

CAPITAL ADEQUACY

IndoStar is well capitalised and the Company endeavours to maintain a capital adequacy ratio (CAR) in excess of 20% on a steady basis, to provide a comfortable buffer for risks.

SERVICE EXCELLENCE

IndoStar enjoys strong relationships with reputed corporate houses and banks as well as possess in-depth knowledge of regulatory and compliance requirements to structure the best deals for clients.

FINANCIAL REVIEW

	(₹ Crore)	
	2016-17	2015-16
Total Income	720	644
Profit after Tax	211	192
Networth	1,903	1,542
Loan Book	5,236	4,265
Borrowings	3,373	3,001

TOTAL INCOME AND PAT

The total income registered a growth of 12% to reach ₹ 720 crore in FY16-17 from ₹ 644 crore in FY15-16. The profit after tax increased by 10% to ₹ 211 crore in FY16-17 from ₹ 192 crore in FY15-16. The increase in income & profit was mainly on account of increase in loan book from ₹ 4,265 to ₹ 5,236 crore during the year.

NET WORTH

The Company's net worth increased by 23% to reach ₹ 1,903 crore in FY 2016-17 from ₹ 1,542 crore in FY15-16. The increase is mainly on account of profit earned in the current year of ₹ 211 crore and equity infusion of ₹ 150 crore. Our CAR stood at 33.8%, against 34.2% in FY15-16, which is well above regulatory norms.

LOAN BOOK

The Loan Book stood at ₹ 5,236 crore during the year under review. The Company's loan portfolio comprises: Developer/ Project Finance – ₹ 1,968 crore (38% of total loan book); Mid Corporate Group – ₹ 2,618 crore (50% of total loan book); and SME Segment – ₹ 650 crore (12% of total loan book). The Company aims to expand its SME and Retail portfolio through a combination of widening of the customer base as well as introduction of new product offerings like Mortgage Financing,



THE TOTAL INCOME REGISTERED A GROWTH OF 12% TO REACH ₹ 720 CRORE IN FY16-17 FROM ₹ 644 CRORE IN FY 15-16.

Affordable Housing Finance and Asset Financing. Our Gross NPA ratio stood at 1.4% and Net NPA ratio at 1.2% reflecting healthy portfolio quality.

BORROWINGS

During the financial year, the Company has successfully raised ₹ 2,973 crore through diversified sources, with ₹ 500 crore from banks, ₹ 368 crore from issuance of NCDs and ₹ 2,105 crore from commercial papers. The Company has a credit rating of A1+ for its short-term borrowings and AA- for long-term borrowings.

HUMAN CAPITAL

Emerging as an established brand in the NBFC space, with a strong leadership team that acts as a talent magnet, we have been able to attract talent from the market. Competitive compensation practices and opportunities for growth create a strong employer brand and go a long way in talent attraction.

EMPLOYEE COUNT

Employee headcount increased from 74 in FY16 to 93 in FY17.

EMPLOYEE ENGAGEMENT INITIATIVES:

- **HR SPOC:** At each branch of IndoStar, we have a designated HR SPOC who is responsible for running HR initiatives at the branches, acting as a coordinator and helping the HR team to connect better with field employees.
- **Branch visits & employee meets:** All branches are visited regularly by senior management to have a better connect with employees.
- **Health & wellness:** Various initiatives were undertaken to emphasise the importance of healthy living.
- **Blood donation drive:** Blood donation drive was arranged on Women's Day.

PERFORMANCE & TALENT MANAGEMENT

- Employees are continuously encouraged to attend various training programmes organised by specialised training bodies to enhance their domain and operational skillsets.
- Appraisal training was conducted for all employees across the country to equip them to manage the appraisal process.

TECHNOLOGY

IndoStar is committed to providing best-in-class services by using technology as a facilitator. The Company has implemented a full capability core loan management and accounting system 'OmniFin' to effectively manage the loan portfolio with the objective of providing decision-making and operational support. The system covers the asset side of the business in addition to account management, core financial accounting, risk management, document management and customer service through the full life cycle of loans for both retail and corporate lending. The system is capable of being used via mobile, tablet and other digital devices. It has maker-checker functionality at every transaction stage that makes it error-free and reliable.

Some of the recent digital initiatives taken by the Company in order to enhance security and improve the customer experience are stated below:



Installed attendance monitoring system across branches.



Rebuilt IndoStar website which can be accessed from latest handheld devices with inbuilt loan enquiry system to tap prospective customers.



Customer communication automation via SMS and e-mail



THE COMPANY HAS INSTITUTED A ROBUST ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK FOR ITS LOAN PORTFOLIO AND HAS ADOPTED PRUDENT RISK MANAGEMENT POLICIES TO SAFEGUARD ALL ITS STAKEHOLDERS' INTERESTS.

RISK MANAGEMENT

The Company has instituted a robust enterprise-wide risk management framework for its loan portfolio and has adopted prudent risk management policies to safeguard all its stakeholders' interests. KYC policy, Anti-Money Laundering Policy, Investment & Loans Policy, Underwriting Risk Guidelines, Interest Rate Policy and Fair Practice Code are some of the risk management policies that have been implemented. The Company has also constituted committees like Risk Management Committee, Credit Committee, Asset Liability Management Committee (ALCO) and Audit Committee.

All credit proposals for corporate lending are pre-screened by the management committee before consideration of the credit committee. The Company follows well-defined criteria for the sanction of loans including assessing track record and borrowing capacity of borrowers, credit history of borrowers, quality of collaterals and external credit ratings.

For retail and SME lending, the Company follows the product programme guideline approach, which contains the credit underwriting parameters. The target customer segments, target markets, loan eligibility criteria, deviation matrix, review triggers are all defined in this document. These are implemented through 'OmniFin' technology platform.

Various kinds of risks and treatment plans are outlined below:

Operational Risk:

Operational risk is the prospect of loss resulting from inadequate or failed processes, people, and systems or from external events.

Risk Mitigation:

A cohesive technology system across operational verticals is helping the Company in achieving seamless centralised operations across its network. A well-defined credit policy, along with Standard Operating Processes (SOP) also helps in managing operational risk. Regular internal audits ensure establishment of sound operational practices.

Credit Risk:

Credit risk refers to the possibility of loss due to a borrower's failure to make payments on any type of debt.

Risk Mitigation:

The senior team at IndoStar is actively involved in the credit process to protect the Company's loan asset portfolio. The loan approval process involves origination and sourcing of business, credit appraisal and credit approval by various committees. Credit authority delegation is administered through the OmniFin System and hence the process is tightly controlled. Further, there is a robust portfolio review mechanism to identify and address credit risks at early stage.



FOR RETAIL AND SME LENDING, THE COMPANY FOLLOWS THE PRODUCT PROGRAMME GUIDELINE APPROACH, WHICH CONTAINS THE CREDIT UNDERWRITING PARAMETERS. THE TARGET CUSTOMER SEGMENTS, TARGET MARKETS, LOAN ELIGIBILITY CRITERIA, DEVIATION MATRIX, REVIEW TRIGGERS ARE ALL DEFINED IN THIS DOCUMENT.

Liquidity Risk:

Funding risk is a form of liquidity risk, which arises when the liquidity needed to fund illiquid asset positions cannot be achieved at the expected terms, as and when required. Unavailability of funds at lower cost could affect profitability and lack of adequate funds could impact the business as a whole.

Risk Mitigation:

IndoStar has kept pace with the developing regulatory norms and maintained the key financial ratios in line with regulatory requirements. A mix of strong capital position, adequate medium / long term borrowings, good credit rating resulting in debt capital market access and availability of lines of credit from a large number of banks ensures that the Company is able to meet its liquidity requirements comfortably.

Interest Rate Volatility:

Fluctuations in interest rates could adversely affect borrowing costs, interest income and net interest margins of companies in the financial sector.

Risk Mitigation:

Being well funded with a strong shareholder base, IndoStar is in a position to tide over such spells.

INTERNAL CONTROL SYSTEMS

IndoStar has established thorough internal control systems to monitor and check if all financial statements are issued with complete integrity and reliability. The senior management is fully involved in prudent lending and due diligence exercises to protect the Company's loan asset portfolio. The loan approval

process involves origination and sourcing of business, credit appraisal and credit approval by various committees, including the Credit Committee, Risk Management Committee and so on. There are maker-checker controls built in for all loan approval and disbursement processes

The Company has appointed KPMG as its internal auditor to conduct comprehensive audits of functional areas and operations to examine the adequacy of, and compliance with policies, plans and statutory requirements. IndoStar also conducts monthly concurrent audits of its SME business for effective controls and to oversee operations on a continuous basis.

The Company has adequate internal control systems and procedures covering all financial and operating functions commensurate with the size and nature of operations. Continuous efforts are being made to see that the controls are designed to provide a reasonable assurance with regard to maintaining of accounting controls and protecting assets from unauthorised use or losses. The Audit Committee looks into all internal control aspects and advises corrective actions, as and when required.

The internal control system has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws, regulations and generally accepted accounting principles.

CAUTIONARY STATEMENTS

Certain statements in the Management Discussion and Analysis describing the Company's objectives and predictions may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the 8th Annual Report on the affairs of your Company together with the Annual Audited Financial Statements for the Financial Year ended March 31, 2017.

Financial Highlights

The highlights of the Financial Statements of the Company for the Financial Year 2016 - 17 and Financial Year 2015 - 16 are as under:

Particulars	₹ in crore	
	As at March 31, 2017	As at March 31, 2016
Total Income	715.54	641.38
Total Expenditure	395.12	349.08
Profit before Tax	320.42	292.30
Less: Provision for taxation		
- Current Tax	117.45	103.07
- Deferred Tax Asset	(6.06)	(1.79)
Net Profit after Tax	209.03	191.02
Transfer to Reserve Fund U/s 45-IC of the Reserve Bank of India Act, 1934	41.81	38.20
Balance brought forward from previous period	469.23	316.42
Balance carried to Balance Sheet	636.46	469.23
Earnings per share (Face Value ₹ 10)		
Basic (₹)	28.45	26.66
Diluted (₹)	26.09	26.33

Financial Performance

During the year under review, the Gross Income of the Company was ₹ 715.54 Crore and the Profit after Tax was ₹ 209.03 Crore (Previous Year: ₹ 641.38 Crore and ₹ 191.02 Crore, respectively). The Company's Net Worth as on March 31, 2017 was ₹ 1,900.42 Crore (Previous Year: ₹ 1,541.22 Crore).

A provision of ₹ 20.71 Crore (Previous Year: ₹ 17.16 Crore) at the rate of 0.40% of outstanding standard assets was made as on March 31, 2017, which is in excess of 0.35% as required pursuant to the Reserve Bank of India (RBI) requirement in this regard, and an amount of ₹ 41.81 Crore (Previous Year: ₹ 38.20 Crore) is transferred to Special Reserve Fund, pursuant to the requirement of Section 45-IC of the RBI Act, 1934.

Your Company has continued to maintain good asset quality with a net NPA of 1.2%, in spite of a difficult macro-economic environment.

No material changes and commitments, affecting the financial position of the Company have occurred between the Financial Year ended March 31, 2017 and date of this Director's Report.

Consolidated Financial Statements

In terms of Section 129 of the Companies Act, 2013, your Company has prepared Consolidated Financial Statements of the Company and its wholly-owned subsidiary companies, IndoStar Asset Advisory Private Limited (IAAPL) and IndoStar Home Finance Private Limited (IHFPL). The Consolidated Financial Statements along with statement containing the salient features of the Financial Statements of IAAPL and IHFPL, in the prescribed Form AOC - 1, forms part of this Annual Report.

The Consolidated Financial Statements of the Company shall be laid before the ensuing 8th Annual General Meeting of the Company along with the Standalone Financial Statements of the Company.

The Annual Audited Financial Statements of IAAPL and IHFPL are available on the website of the Company and shall be provided to the Members upon request.

Dividend

Your Directors consider it prudent to conserve the resources of the Company for its growth and despite having sufficient distributable profits, do not recommend any dividend on equity shares for the Financial Year under review.

State of Affairs of the Company

The operating and financial performance of your Company has been covered in the Management Discussion and Analysis Report which forms part of this Annual Report.

During the year under review, there has been no change in the nature of business of the Company.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year under review is presented in a separate section forming part of this Annual Report.

Share Capital

During the year under review, the Company increased its Authorised Share Capital from ₹ 80 Crore divided into 8 Crore equity shares of face value of ₹ 10/- each to ₹ 90 Crore divided into 9 Crore equity shares of face value of ₹ 10/- each.

During the year under review, the Company issued and allotted 4,070 equity shares on exercise of stock options granted to employees of the Company under IndoStar ESOP Plan 2012.

Further, during the year under review, in order to mobilize funds for funding current and future activities and / or growth plans of the Company and general corporate purposes, the Company issued and allotted 50,03,300 equity shares to resident individuals and non-resident entities on preferential allotment basis.

Subsequent to the year under review, the Company issued and allotted 3,17,460 equity shares, on preferential allotment basis, to Mr. R. Sridhar, Executive Vice-Chairman and Chief Executive Officer of the Company.

Pursuant to the aforesaid allotments, the issued, subscribed and paid-up share capital of the Company stands increased to ₹ 78,67,92,590/- (7,86,79,259 equity shares of Face Value ₹ 10/- each).

Subsidiary Companies and their Financial Performance

IndoStar Asset Advisory Private Limited (IAAPL)

IAAPL is engaged in the business of providing asset advisory services for debt funds. IAAPL acts as an Investment Manager to IndoStar Credit Fund ("Fund"), a Category II Alternative Investment Fund registered with the Securities and Exchange Board of India with a corpus of ₹ 203 Crore.

During the year under review, the gross income of IAAPL was ₹ 3.72 Crore and the Profit After Tax was ₹ 1.33 Crore (Previous Year: ₹ 2.51 Crore and ₹ 0.52 Crore, respectively).

IndoStar Home Finance Private Limited (IHFPL)

IHFPL was incorporated by the Company in Financial Year 2015-16 with a view to engage in the business of housing finance.

During the year under review, IHFPL was granted Certificate of Registration by the National Housing Bank to commence business as a housing finance institution.

During the year under review, IHFPL had not commenced its business operations and hence your Directors are not commenting on its performance and contribution to the overall performance of the Company as required in terms of Section 134(3)(q) read with Rule 8(1) of the Companies (Accounts) Rules, 2014.

During the year under review, there has been no change in the nature of business of the Subsidiary Companies.

Directors and Key Managerial Personnel

The detailed composition of the Board of Directors of the Company has been provided in the Corporate Governance Report annexed to this Director's Report.

Appointments & Cessation of Director(s):

During the year under review, Mr. Vimal Bhandari was re-appointed as the Managing Director & CEO of the Company for a period of two years with effect from April 1, 2016.

Subsequent to the year under review, Mr. Vimal Bhandari tendered his resignation from the office of Managing Director & CEO of the Company with effect from April 18, 2017. Mr. Bhandari continues to serve on the Board of the Company as a Non-Executive Director from May 1, 2017.

Subsequent to the year under review, Mr. Dhanpal Jhaveri, Non-Executive Director of the Company was appointed as the Non-Executive Chairman of the Board with effect from June 23, 2017.

Your Directors place on record their sincere appreciation for the able leadership, valuable contribution and guidance provided by Mr. Vimal Bhandari over the last six years of his association as Managing Director & CEO of the Company, in shaping the Company into a well-respected and highly profitable credit institution.

Considering his rich experience and expertise in the financial services industry, the Board of Directors of the Company and the Shareholders of the Company at their meetings held on April 18, 2017 and April 28, 2017, respectively, accorded their consent for the appointment of Mr. R. Sridhar as a Whole-Time Director designated as Executive Vice-Chairman & CEO of the Company with effect from April 18, 2017.

Director(s) Retiring by Rotation:

In terms of Section 152 of the Companies Act, 2013 read with the Articles of Association of the Company, Ms. Shweta Bhatia, Mr. Alok Oberoi and Mr. Vimal Bhandari, Directors, being longest in office, shall retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting of the Company.

Director(s) Disclosures:

Based on the declarations and confirmations received in terms of provisions of the Companies Act, 2013, circular(s) / notification(s) / direction(s) issued by the RBI and other applicable laws, none of the Directors on the Board of your Company are disqualified from appointment as Directors.

Your Company has received declarations from the Independent Director(s), affirming compliance with the criteria of independence as stipulated in Section 149(6) of the Companies Act, 2013.

Key Managerial Personnel:

As on March 31, 2017, the following persons were the Key Managerial Personnel (KMP) of the Company in terms of the Companies Act, 2013:

- | | | | |
|----|----------------------|---|------------------------------|
| 1. | Mr. Vimal Bhandari | - | Managing Director & CEO; |
| 2. | Mr. Shailesh Shirali | - | Whole-Time Director; |
| 3. | Mr. Pankaj Thapar | - | Chief Financial Officer; and |
| 4. | Mr. Jitendra Bhati | - | Company Secretary |

Subsequent to the year under review, Mr. Vimal Bhandari ceased to be a KMP pursuant to his resignation from office of Managing Director & CEO, and Mr. R. Sridhar was designated as KMP of the Company pursuant to his appointment as Executive Vice-Chairman & CEO, with effect from April 18, 2017.

RBI Guidelines

Your Company continues to fulfill and comply with all the circular(s), notification(s), direction(s) and guideline(s) issued by the RBI, as are applicable to it as a Systemically Important Non-Deposit taking Non-Banking Financial Company.

In terms of Foreign Exchange Management (Transfer or Issue of Security by a Person resident outside India) Regulations, 2000, your Company has obtained a certificate from its Statutory Auditors, certifying that the Company is in compliance with the FEMA regulations with respect to the downstream investments made by the Company.

Particulars of Deposits

Your Company being a 'Non-Deposit taking Non-Banking Financial Company' has not accepted deposits during the year under review and shall not accept any deposits from the public without obtaining prior approval of the RBI.

Accordingly, the disclosure requirements under Rule 8(5)(v) and (vi) of the Companies (Accounts) Rules, 2014 are not applicable to the Company.

Resources and Liquidity

Your Company has diversified funding sources including public sector banks, private sector banks, mutual funds and financial institutions. Funds were raised in line with Company's Resource Planning Policy FY 2016-17, through term loans, issue of secured redeemable non-convertible debentures and commercial paper.

During the year under review, your Company has raised (i) ₹ 500 Crore as bank borrowings (outstanding as on March 31, 2017: ₹ 1,560 Crore), (ii) ₹ 2,105 Crore by issuance of commercial paper (outstanding as on March 31, 2017: ₹ 705 Crore), and (iii) ₹ 367.50 Crore through issuance of non-convertible debentures (outstanding as on March 31, 2017: ₹ 1,111.50 Crore).

Applicable disclosures in terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on March 31, 2017 are given at **Annexure I**.

Debt Equity Ratio

Your Company's Debt:Equity ratio as on March 31, 2017 stands at 1.78:1.

Capital Adequacy Ratio

The Capital to Risk Assets Ratio (CRAR) of your Company as on March 31, 2017 stood at 33.8% (Tier I Capital Ratio @ 33.4% and Tier II Capital Ratio @ 0.4%), well above the limit of 15% as prescribed by the RBI for NBFCs.

Net Owned Funds

The Net Owned Funds of your Company as on March 31, 2017 stood at ₹ 1,873.23 Crore, a 23.38% increase over the previous year.

Credit Rating(s)**Short Term Debt Programme**

The Short Term Debt Programme of the Company is rated by Credit Analysis & Research Limited (CARE), ICRA Limited (ICRA) and CRISIL Limited (CRISIL). During the year under review, the limit of the Short Term Debt Programme of the Company, rated by CARE, ICRA and CRISIL, was enhanced from ₹ 750 Crore to ₹ 1,250 Crore.

CARE, ICRA and CRISIL reaffirmed the ratings “CARE A1+” (pronounced “CARE A One Plus”), “[ICRA] A1+” (pronounced “ICRA A One Plus”) and “CRISIL A1+” (pronounced “CRISIL A One Plus”), respectively, with respect to the Short Term Debt Programme of the Company, including the amount enhanced during the year under review.

Subsequent to the year under review, the limit of the Short Term Debt Programme of the Company, rated by CARE and CRISIL, was increased from ₹ 1,250 Crore to ₹ 1,500 Crore, without any change in the rating.

The ratings as mentioned above indicate that the instruments have very strong degree of safety regarding timely payment of financial obligations and carry lowest credit risk.

Long Term Debt Programme

The Long Term Debt Programme of the Company is rated by CARE and India Ratings and Research Private Limited (Fitch Group). During the year under review, the limit of the Long Term Debt Programme of the Company, rated by CARE, was enhanced from ₹ 3,000 Crore to ₹ 3,750 Crore.

Further, during the year under review, CARE reaffirmed the rating “CARE AA-” (pronounced “CARE Double A Minus”) for the limit of ₹ 3,750 Crore and Fitch Group reaffirmed the rating “IND AA-” with stable outlook (pronounced “IND Double A Minus / Stable”) to the Long Term Debt Programme of the Company for a limit of ₹ 3,000 Crore.

The ratings as mentioned above indicate that the instruments have high degree of safety regarding timely servicing of financial obligations and carry very low credit risk.

The Company’s financial discipline and prudence is reflected in the strong credit ratings ascribed by rating agencies, summarised below:

Instrument	Amount (₹ in Crore)	Rating Agency	Rating
Short Term Debt	1,250	ICRA	“[ICRA] A1+”
	1,500	CARE	“CARE A1+”
	1,500	CRISIL	“CRISIL A1+”
Long Term Debt	3,750	CARE	“CARE AA-”
	3,000	India Ratings and Research (Fitch Group)	“IND AA-/Stable”

Auditors

Statutory Auditors & their Report:

S. R. Batliboi & Co. LLP, Chartered Accountants, having ICAI Firm Registration No. 301003E/E300005, were appointed as the Statutory Auditors of your Company at the 6th Annual General Meeting of the Company held on September 30, 2015 to hold office for a period of 5 years, from the conclusion of the said Annual General Meeting till the conclusion of the 11th Annual General Meeting of the Company, subject to ratification by Members at every Annual General Meeting.

In terms of the requirements of Section 139 of the Companies Act, 2013, the appointment of the Statutory Auditors of the Company is required to be ratified by the Members at every Annual General Meeting of the Company.

Members of the Company at 7th Annual General Meeting held on September 7, 2016 had ratified the appointment of S. R. Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of the 7th Annual General Meeting till the conclusion of the 8th Annual General Meeting of the Company.

Appointment of S. R. Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditors to hold office from the conclusion of the 8th Annual General Meeting till the conclusion of the 9th Annual General Meeting of the Company is placed for ratification by the Members at the ensuing Annual General Meeting.

S. R. Batliboi & Co. LLP, Statutory Auditors in their report(s) on the Annual Audited Standalone Financial Statements and Annual Audited Consolidated Financial Statements of your Company for the Financial Year ended March 31, 2017, have not submitted any qualifications, reservations or adverse remarks or disclaimers.

During the year under review, the Statutory Auditors have not reported any incident of fraud to the Audit Committee.

Internal Auditors & their Report:

During the year under review, KPMG, was appointed as Internal Auditors of the Company for the Financial Year 2016-17.

KPMG, Internal Auditors, in their report(s) on the Internal Audit of your Company, have not submitted any material qualifications, reservations or adverse remarks or disclaimers.

Secretarial Auditors & their Report:

During the year under review, M Siroya and Co., Practicing Company Secretary, were appointed to undertake the Secretarial

Audit of the Company for the Financial Year ended March 31, 2017. The Report of the Secretarial Auditors in prescribed Form MR - 3 is annexed as **Annexure II** to this Director's Report.

M Siroya and Co., Secretarial Auditors, in their report on the Secretarial Audit of your Company have not submitted any qualifications, reservations or adverse remarks or disclaimers.

Corporate Governance

Your Company is committed to adopt the highest standards of Corporate Governance and adheres to the Corporate Governance requirements set by the concerned regulator(s) and applicable laws.

The Report on measures / activities undertaken by your Company, as a part of its efforts towards adopting good corporate governance practices, is annexed to, and forms an integral part of this Director's Report.

Board Committees

The Board of Directors of your Company has constituted several Committees to deal with specific matters and has delegated powers for different functional areas to different Committees.

The Audit Committee, the Credit Committee, the Asset-Liability Management Committee, the Risk Management Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, the Debenture Committee and other Committee(s) have been constituted in compliance with various laws applicable to the Company and for meeting internal requirements / operational convenience.

The composition of Committee(s), number of meeting(s) held and attended by respective member(s), roles, powers and responsibilities of the Committee(s) have been provided in the Corporate Governance Report annexed to this Director's Report.

Meetings

Details with respect to the meetings of the Board of Directors and Committee(s) held during the year, including attendance at such meetings have been provided in the Corporate Governance Report annexed to this Director's Report.

Audit Committee

In terms of Section 177 of the Companies Act, 2013, the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (RBI Master Directions) and other applicable laws, your Board of Directors have constituted an Audit Committee consisting of well qualified Directors.

The composition, number of meetings held and roles, powers and responsibilities of the Audit Committee have been provided in the Corporate Governance Report annexed to this Director's Report.

The Board of Directors have accepted and implemented the recommendations of the Audit Committee, whenever provided by it.

Performance Evaluation

In terms of the provisions of the Companies Act, 2013, your Company has adopted a Board Performance Evaluation Policy and detailed process for facilitating performance evaluation of the Board, that of its Committee(s) and individual Directors.

Subsequent to the year under review, the performance of Directors, Board Committees and the Board as a whole during Financial Year 2016 - 17 was evaluated by the Board. Also, the performance of Director(s) of the Company during the Financial Year 2016 - 17 was evaluated by the Nomination and Remuneration Committee of the Board. The Independent Directors of the Company at their meeting held on March 27, 2017 evaluated the performance of the Non-Independent Directors of the Company and the Board as a whole.

A statement indicating the manner in which formal evaluation has been made by the Board of its own performance and that of its Committees and individual Directors is provided in the Corporate Governance Report annexed to this Director's Report.

Policy on Appointment of Directors and Senior Management Personnel

In terms of Section 178 of the Companies Act, 2013 read with rules framed thereunder and the RBI Master Directions, as amended, your Board of Directors have adopted, 'Policy on Selection Criteria/ "Fit & Proper" Person Criteria' for appointment of Directors and Senior Management Personnel of the Company.

The details of the 'Policy on Selection Criteria/ "Fit & Proper" Person Criteria' have been provided in the Corporate Governance Report annexed to this Director's Report.

The Remuneration Policy, Disclosure of Remuneration & Particulars of Employees

In terms of Section 178 of the Companies Act, 2013, your Board of Directors have adopted a 'Remuneration Policy' inter-alia setting out the criteria for deciding remuneration of Executive Directors, Non-Executive Directors, Senior Management Personnel and other Employees of the Company.

The details of the 'Remuneration Policy' have been provided in the Corporate Governance Report annexed to this Director's Report.

In terms of Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the disclosures with respect to the remuneration of Directors, Key Managerial Personnel and Employees of the Company have been provided at **Annexure III** to this Director's Report.

In terms of Section 197 of the Companies Act, 2013 read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the statement relating to particulars of employees of the Company is available for inspection by the Members at the Registered Office of the Company during business hours on working days. A copy of this statement may be obtained by the Members by writing to the Company Secretary of your Company.

Your Directors hereby confirm that the remuneration paid to the Directors is as per the Remuneration Policy of the Company.

Risk Management Framework

Your Company has in place a mechanism to identify, assess, monitor and mitigate various risks associated with the business of the Company. Major risks identified by the businesses and functions, if any, are systematically addressed through mitigating actions on a continuing basis. Your Company has put in place a Board approved "Risk Framework and Policy" which inter-alia integrates various elements of risk management in to a unified enterprise-wide Policy.

The Risk Management Committee of the Board of Directors of the Company has not identified any elements of risk which in their opinion may threaten the existence of the Company and the Company's internal control systems are commensurate with the nature of its business, size and complexity of its operations.

The details of the 'Risk Framework and Policy' have been provided in the Corporate Governance Report annexed to this Director's Report.

Internal Control / Internal Financial Control Systems and their Adequacy

The Company's well - defined organizational structure, documented policies, guidelines, defined authority matrices and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations. Internal control system of the Company is supplemented with extensive internal audits, regular reviews by the Management and checks by external auditors. The Audit Committee and the Board of Directors monitor the internal controls system of the Company.

To the best of our knowledge and belief and according to the information and explanations obtained by us, and based on the Report(s) of Statutory Auditors and Internal Auditors of the Company for the Financial Year 2016 - 17, your Directors are of the view that the internal financial controls with reference to the Financial Statements of the Company were adequate and operating efficiently and further confirm that:

- (i) the Company has comprehensive internal financial control systems that are commensurate with the size and nature of its business;
- (ii) the Company has laid down standards, processes and structures which enable implementation of internal financial controls across the organization and ensure that the same are adequate and operating effectively;
- (iii) the systems are designed in a manner to provide reasonable assurance about the integrity and reliability of the financial statements;
- (iv) the Company adopts prudent lending policies and exercises due diligence to safeguard its loan asset portfolio; and
- (v) the loan approval process involves origination and sourcing of business, credit appraisal and credit approval in accordance with approved processes / levels.

Whistle Blower Policy / Vigil Mechanism

In terms of Section 177(9) and (10) of the Companies Act, 2013, your Company has established and put in place a Board approved 'Whistle Blower Policy / Vigil Mechanism' to provide a mechanism to anyone connected with the Company to approach the Audit Committee of the Company and disclose unethical and improper practices or any other wrongful conduct in the Company and to prevent managerial personnel from taking any adverse personal action against person(s) who report matters under the Policy / Mechanism.

The details of the 'Whistle Blower Policy / Vigil Mechanism' have been provided in the Corporate Governance Report annexed to this Director's Report.

Corporate Social Responsibility

In terms of the Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, your Board of Directors constituted a Corporate Social Responsibility (CSR) Committee and in light of the Company's philosophy of being a responsible corporate citizen, your Company has adopted a CSR Policy which lays down the principles and mechanism for undertaking various projects / programs in accordance with the provisions of the Companies Act, 2013.

The composition of the CSR Committee and details of the 'CSR Policy' have been provided in the Corporate Governance Report annexed to this Director's Report.

The disclosures in terms of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 with respect to CSR activities of the Company have been provided at **Annexure IV** to this Director's Report.

Contracts / Arrangements with Related Parties and Related Party Transaction Policy

In terms of the provisions of the Companies Act, 2013 and the RBI Master Directions, your Company has put in place a Board approved 'Related Party Transaction Policy' for the purpose of proper approval and reporting of transactions with related parties.

In terms of Section 177 of the Companies Act, 2013, transactions with related parties were placed before the Audit Committee for its approval. Omnibus approval of the Audit Committee was obtained for related party transactions of repetitive nature, within the limits prescribed by the Board of Directors. The Audit Committee was periodically updated with respect to related party transactions executed under Omnibus approval of the Audit Committee.

During the year under review, your Company had not entered into any Related Party Transactions covered within the purview of Section 188(1) of the Companies Act, 2013, accordingly, requirement of disclosure of Related Party Transactions in terms of Section 134(3)(h) of the Companies Act, 2013 in Form AOC - 2 is not applicable to the Company. All other transactions with related parties were in compliance with the Related Party Transaction Policy of the Company and the Company had during the year under review, not entered into transactions with related parties which could be considered to be 'material' in accordance with the 'Related Party Transaction Policy' of the Company.

The details of the 'Related Party Transaction Policy' have been provided in the Corporate Governance Report annexed to this Director's Report.

Particulars of Loans, Guarantees or Investments

In terms of Section 186(11) of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014, loans made, guarantees given or securities provided by the Company are exempted from compliance with the requirements of Section 186 of the Companies Act, 2013.

During the year under review, your Company has invested surplus funds pending business deployment in various liquid

debt securities in the ordinary course of business. For details of the current and non-current investments of the Company, please refer Note 10 and 15 to the Audited Standalone Financial Statements.

Extract of Annual Return

In terms of Section 134(3)(a) and Section 92(3) read with the Companies (Management and Administration) Rules, 2014 of the Companies Act, 2013, the extract of Annual Return as at Financial Year ended March 31, 2017 in the prescribed Form MGT - 9 has been provided at **Annexure V** to this Director's Report.

Employee Stock Option Scheme

Your Company believes that its success is largely determined by the quality of its workforce and their commitment towards achieving the goals of the Company. In order to enable the employees of the Company to participate in the future growth and success of your Company, 'IndoStar ESOP Plan 2012' (ESOP 2012) was adopted by the Company.

During the year under review, in light of Company's pace of growth, increase in business volume and business verticals / financial products of the Company / its subsidiaries within the financial services sector, the Company adopted additional employee stock option schemes, in a manner which would enable your Company to attract, retain, motivate and incentivise its employees. In view of the same, Members of the Company at their Extraordinary General Meeting held on May 9, 2016 and October 17, 2016 approved and adopted IndoStar ESOP Plan 2016 (ESOP 2016) and IndoStar ESOP Plan 2016 - II (ESOP 2016 - II), respectively.

Subsequent to the year under review the Members of the Company at their Extraordinary General Meeting held on April 28, 2017 approved and adopted another additional employee stock option scheme namely IndoStar ESOP Plan 2017 (ESOP 2017).

In terms of Section 62 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 of the Companies Act, 2013, the disclosures for the Financial Year ended March 31, 2017 with respect to ESOP 2012, ESOP 2016 and ESOP 2016 - II have been provided at **Annexure VI** to this Director's Report.

Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

In terms of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, your Directors have constituted an Internal Complaints Committee and adopted a 'Care and Dignity Policy'.

During the year under review, no complaints related to sexual harassment had been received by the Internal Complaints Committee.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company being an NBFC, its activities are not energy intensive nor does it require adoption of specific technology and hence information in terms of Section 134(3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 is not provided in this Report. Your Company is vigilant on the need for conservation of energy.

During the year under review, foreign currency expenditure amounted to ₹ 0.11 Crore (Previous Year: ₹ 0.20 Crore). Your Company did not have any foreign exchange earnings.

Significant and Material Orders Passed by the Regulators or Courts or Tribunals

During the year under review, no orders have been passed against your Company by any regulator(s) or court(s) or tribunal(s) which would impact the going concern status and / or the future operations of your Company.

Directors Responsibility Statement

To the best of our knowledge and belief and according to the information and explanations obtained by us, pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your Directors hereby confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) they have 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;

- c) they have taken proper and sufficient care 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;
- d) they have prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Appreciations

Your Board of Directors take this opportunity to express their appreciation to all stakeholders of the Company including the Reserve Bank of India, the National Housing Bank, the Ministry of Corporate Affairs, the Securities and Exchange Board of India, the Government of India and other Regulatory Authorities, Bankers, Financial Institutions, Members, Customers and Employees of the Company for their continued support and trust. Your Directors would like to express deep appreciation for the commitment shown by the employees in supporting the Company in achieving continued robust performance on all fronts.

By the Order of the Board of Directors
For **IndoStar Capital Finance Limited**

Mr. Dhanpal Jhaveri
Non-Executive Chairman
DIN: 02018124

Mr. R Sridhar
Executive Vice-Chairman & CEO
DIN: 00136697

Place: Mumbai
Date: June 23, 2017

ANNEXURE I

Disclosures pursuant to Regulation 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on March 31, 2017

Related Party Disclosure:

Sr. No.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year	Details
1	Holding Company: IndoStar Capital, Mauritius	• Loans and advances in the nature of loans to subsidiaries by name and amount	--
		• Loans and advances in the nature of loans to associates by name and amount	N.A.
		• Loans and advances in the nature of loans to firms / companies in which Directors are interested by name and amount	--
2	Subsidiary Company(ies): IndoStar Asset Advisory Private Limited IndoStar Home Finance Private Limited	• Loans and advances in the nature of loans to parent by name and amount	--
		• Loans and advances in the nature of loans to associates by name and amount	N.A.
		• Loans and advances in the nature of loans to firms / companies in which Directors are interested by name and amount	--
3	Holding Company: IndoStar Capital, Mauritius	Investment by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan	--

ANNEXURE II

FORM NO. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
IndoStar Capital Finance Limited
CIN: U51909MH2009PLC268160
One Indiabulls Center, 17th Floor,
Tower 2A, Jupiter Mills Compound,
Senapati Bapat Marg,
Mumbai – 400 013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **IndoStar Capital Finance Limited** (hereinafter called the “Company”) for the audit period covering the Financial Year ended on March 31, 2017. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on March 31, 2017 according to relevant and applicable provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment in India;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’):
 - a. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - b. The Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;
 - c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
 - d. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015.
- (vi) Based on the representations made by the Company and its officers and our verification of the relevant records on test check basis, the Company has adequate system and process in place for compliance under the following laws applicable specifically to the Company:
 - a. The Reserve Bank of India Act, 1934, as applicable to Non-Banking Financial Companies;
 - b. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;
 - c. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;
 - d. Master Direction - Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016;
 - e. Master Direction - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;

- f. Master Direction - Know Your Customer (KYC) Direction, 2016;
- g. Prevention of Money Laundering Act, 2002 and the Rules & Directions made thereunder; and
- h. Various Circulars, Notifications, Directions, Guidelines, Master Circulars issued by the Reserve Bank of India from time to time in respect of Systemically Important Non-Deposit Accepting Non-Banking Financial Company's compliance.

We have also examined compliance with the applicable Clauses of the following:

- (i) The Debt Listing Agreement entered into by the Company with BSE Limited; and
- (ii) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Circulars, Notifications, Directions, Guidelines, Standards, etc. mentioned above.

Major heads/groups of other Acts, laws, Rules, Regulations, Guidelines and Standards as applicable to the Company are given below:

- (i) Labour Laws and other incidental laws related to employees appointed by the Company either on its payroll or on contract basis, as related to wages, gratuity, provident fund, ESIC, compensation etc.;
- (ii) Stamps Acts and Registration Acts of respective states;
- (iii) Acts as prescribed under Direct Tax and Indirect Tax;
- (iv) Land Revenue laws of respective states;
- (v) Labour Welfare Acts of respective states;
- (vi) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013; and
- (vii) Such other Local laws as applicable to the Company and its offices/ branches.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Director. The changes in the composition of the Board of Directors that took place

during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried out with unanimous approval of the Board and no dissenting views were observed, while reviewing the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations, circulars, notifications, directions and guidelines.

We further report that during the audit period the Company has undertaken following event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, acts, rules, regulations, circulars, notifications, directions, guidelines, standards, etc. referred to above:

- (i) On May 9, 2016, the members at the Extra-Ordinary General Meeting, inter-alia, approved:
 - (a) Issue 27,00,000 Stock options to employees under a Scheme of Employees' Stock Option (IndoStar Employee Stock Option Plan 2016),
 - (b) IndoStar Employee Stock Option Plan 2016 - Holding Company and / or Subsidiary Company(ies),
 - (c) Grant of stock options to Mr. Shailesh Shirali, Whole-Time Director, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant,
 - (d) Issue of Non-Convertible Debentures under Private Placement basis not exceeding INR 2500 crores during the year from the date of passing this Resolution;
 - (e) Re-appointment of Mr. Vimal Bhandari as Managing Director and Chief Executive Officer of the Company for the period of 2 years with effect from April 1, 2016 to March 31, 2018;

- (ii) On September 7, 2016, the members at the Annual General Meeting, inter-alia, approved the following:
 - (a) Increase in Borrowing limit under section 180 (1)(c) upto INR 8000 crores over and above the aggregate of the paid-up share capital and free reserves;
 - (b) Creation of security/ charge on assets of the Company under section 180(1)(a) upto INR 8000 crores over and above the aggregate of the paid-up share capital and free reserves;
 - (c) Issue of Non-Convertible Debentures on Private Placement basis or otherwise not exceeding INR 2500 crores during the year from the date of passing this Resolution.
- (iii) On October 17, 2016, the members at the Extra-Ordinary General Meeting, inter-alia, approved:
 - (a) Issue of 30,00,000 Stock options to employees under a scheme of employees' stock option (IndoStar Employee Stock Option Plan 2016- II),
 - (b) IndoStar Employee Stock Option Plan 2016- II - Holding Company and / or Subsidiary Company(ies),
 - (c) Increase in Authorise Share Capital of the Company from INR 80 crores to INR 90 crores and alteration of Clause V(a) of the Memorandum of Association of the Company;
- (iv) On March 17, 2017, the members at the Extra-Ordinary General Meeting approved the issue of 50,03,300 Equity Shares of INR 10/- each at a premium of INR 290/- each on Preferential basis; and
- (v) Allotment of Non-Convertible Debentures (NCDs) on Private Placement basis aggregating to INR 367.5 crores during the year out of which NCDs aggregating to INR 330 crores were listed.
- (vi) Redeemed the Non-Convertible Debentures (NCDs) on their respective due date or pursuant to buy back.

For **M Siroya and Company**
Company Secretaries

Mukesh Siroya

Proprietor
FCS No.: 5682
CP No.: 4157

Date: June 12, 2017
Place: Mumbai

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

‘ANNEXURE A’

To,
The Members,
IndoStar Capital Finance Limited
CIN: U51909MH2009PLC268160
One Indiabulls Center, 17th Floor,
Tower 2A, Jupiter Mills Compound,
Senapati Bapat Marg,
Mumbai – 400 013

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these Secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management's representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of the procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **M Siroya and Company**
Company Secretaries

Mukesh Siroya
Proprietor
FCS No.: 5682
CP No.: 4157

Date: June 12, 2017
Place: Mumbai

ANNEXURE III

Disclosures in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the Financial Year ended March 31, 2017

Sr. No.	Requirement	Disclosure	
		Name of Director	Ratio
1.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Mr. Vimal Bhandari	23.9:1
		Mr. Shailesh Shirali	38.5:1
		Mr. Bobby Parikh*	0.7:1
		Mr. Ravi Narain*	0.7:1
		Mr. Eric Stuart Schwartz*	0.7:1
		Mr. D. Sivanandhan*	0.7:1
		Mr. Deepak Shahdadpuri	NA
		Mr. Sameer Sain	NA
		Mr. Alok Oberoi	NA
		Mr. Dhanpal Jhaveri	NA
		Ms. Shweta Bhatia	NA
		Mr. L. Brooks Entwistle	NA
2.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer and Company Secretary in the financial year	Name of Director / CEO / CFO / CS	Percentage increase in their remuneration during the Financial Year ended 2017
		Mr. Vimal Bhandari (MD & CEO)	(33.0)%
		Mr. Shailesh Shirali	5.0%
		Mr. Bobby Parikh	12.5%
		Mr. Ravi Narain	12.5%
		Mr. Eric Stuart Schwartz	12.5%
		Mr. D. Sivanandhan	12.5%
		Mr. Deepak Shahdadpuri	NA
		Mr. Sameer Sain	NA
		Mr. Alok Oberoi	NA
		Mr. Dhanpal Jhaveri	NA
		Ms. Shweta Bhatia	NA
		Mr. L. Brooks Entwistle	NA
		Mr. Pankaj Thapar (CFO)	0
		Mr. Jitendra Bhati (CS)	30.3%
3.	The percentage increase in the median remuneration of employees in the Financial Year	Not Applicable.	
4.	Number of permanent employees on the rolls of Company at the end of Financial Year	93	
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Not Applicable.	
6.	Affirmation that the remuneration is as per the Remuneration Policy of the Company	It is affirmed that the remuneration paid is as per the Remuneration Policy of the Company.	

*Commission for the FY 2016 - 17 paid in FY 2017 - 18

Note: Sitting fees paid to Non-Executive Independent Directors during the FY 2016 - 17 has not been included for calculation of remuneration paid to them.

ANNEXURE IV

Annual Report on Corporate Social Responsibility (CSR)

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs:

In terms of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has adopted a CSR Policy which helps in furtherance of the Company's objective to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a socially responsible corporate citizen. The CSR Policy inter-alia includes the following:

- The list of CSR projects or programs which the Company can undertake (within the purview of Schedule VII of the Companies Act, 2013);
- Activities which will not be considered as CSR activities;
- The CSR Budget of the Company;
- The implementation process;
- Role and Responsibilities of the Board and CSR Committee;
- Monitoring and Reporting framework.

The CSR Policy adopted by your Company is placed on its website <http://www.indostarcapital.com/investor-bay-corporate-governance-codes-and-policies.php>

Overview of projects / programs undertaken / proposed to be undertaken:

a. Avasara Leadership Institute – Avasara Academy and Avasara Leadership Fellows

During the year under review, the Company contributed to two programs of Avasara Leadership Institute (ALI), namely Avasara Academy and Avasara Leadership Fellows.

Avasara Academy: Avasara Academy is a first-of-its kind secondary school for girls aged between 12-18 years which aims at enabling girls from economically weaker sections of the society to emerge as confident

leaders. It provides a holistic educational experience that cultivates both academic and leadership potential, fully equipping each student with the skills and abilities to serve as a successful leader in her community and affect positive change in the world around her. Through the efforts and success of each of the Avasara girls, they believe that the deep-rooted mindsets that have held back women in India for generations can and will change. Located in Lavale Valley in Pune, the Academy offers the internationally recognized Cambridge Curriculum and a supplementary curriculum in Leadership, Entrepreneurship and Indian Studies.

During the year under review, the Company contributed an amount of ₹ 0.19 Crore to ALI for its program Avasara Academy.

Avasara Leadership Fellows (ALF): The ALF Program is a selective, intensive after-school enrichment program for girl students from Standard 8 to Standard 10. All ALF girl students come from low-income backgrounds. The ALF aims at providing a range of opportunities and experiences to develop the personal leadership style of the girl students and achieve academic excellence.

During the year under review, the Company contributed an amount of ₹ 0.31 Crore to ALI for its program Avasara Leadership Fellows.

Your Company proposes to continue its support to ALI during Financial Year 2017-18.

b. Pratham Mumbai Education Initiative

Pratham Mumbai Education Initiative was established in the year 1994 and aims at taking a holistic approach to enhance education for children in the slums. Pratham Mumbai Education Initiative works across different domains in education in India – pre-school, primary, upper primary, secondary and vocational sectors. Pratham aims at improving children's learning levels, help them to sustain in school and address the issues of child vulnerability through child right sessions and developing a mechanism to reach out to such kids.

During the year under review, the Company contributed an amount of ₹ 0.59 Crore to Pratham Mumbai Education Initiative.

c. Population First - AMCHI

Population First was founded in March 2002 and runs two programs called Action for Mobilization of Community Health Initiatives (AMCHI) and LAADLI.

AMCHI focuses on economic, social and political empowerment of women, sanitation, mother and child health in rural communities and includes:

- Economic empowerment of women through livelihood initiatives through vermi-composting;
- Political empowerment of women through strengthening of Mahila Gram Sabhas;
- Strengthening of women groups and village level monitoring committees to combat childhood malnutrition, increase the reach of ante-natal and post-natal care to promote healthy motherhood, engage school children to promote hygiene and sanitation at a personal, family and community level.

During the year under review, the Company contributed an amount of ₹ 0.24 Crore to Population First towards its program - AMCHI.

d. Shelter Associates - One Home One Toilet

Shelter Associates, established in 1993, through its programme 'One Home One Toilet' aims at positively influencing hygiene behaviour by providing toilet building materials to houses in Ambedkar Nagar, Pune.

During the year under review, the Company contributed an amount of ₹ 0.21 Crore to Shelter Associates towards its program - One Home One Toilet.

e. Centre for Environmental Research and Education (CERE)

CERE is a Mumbai-based NGO that works to promote environmental sustainability through research,

innovation, formal education, government and corporate partnerships and publications.

During the year under review, the Company contributed an amount of ₹ 0.10 Crore to CERE towards its initiative of Rainwater Harvesting at Naigaon, Mumbai.

Your Company proposes to continue its support to CERE during Financial Year 2017-18.

2. Composition of the CSR Committee as on the date of the Report:

Name of the Director	Category	Status
Mr. Ravi Narain	Non-Executive Independent Director	Chairman
Mr. D. Sivanandhan	Non-Executive Independent Director	Member
Mr. Dhanpal Jhaveri	Non-Executive Director	Member
Mr. L. Brooks Entwistle	Non-Executive Director	Member
Ms. Shweta Bhatia	Non-Executive Director	Member
Mr. R. Sridhar	Executive Vice-Chairman & CEO	Member

3. Average net profit of the Company for the last three financial years prior to Financial Year ended March 31, 2017:

₹ 229.21 Crore calculated as per Section 198 of the Companies Act, 2013.

4. Prescribed CSR Expenditure (2% of ₹ 229.21 Crore):
₹ 4.58 Crore

5. Details of CSR spent during the Financial Year:

Particulars	₹ in Crore
a. Total amount to be spent for the Financial Year	4.58
b. Amount unspent	2.94

c. Manner in which the amount spent during the Financial Year is detailed below:

Sr. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where the projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads; (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent Direct or through implementing agency
1.	Avasara Academy	Promoting education among women, empowering women and enhancing women employment.	Other - Pune, Maharashtra	₹ 50 Lacs	₹ 18.72 Lacs direct on project / program	₹ 68.72 Lacs (FY 2015 - 16: ₹ 50 Lacs; FY 2016 - 17: ₹ 18.72 Lacs)	Implementing Agency – Avasara Leadership Institute – a Company registered under Section 25 of the Companies Act, 1956 (Not for Profit Company).
2.	Avasara Leadership Fellows	enhancing women employment.	Local Area – Mumbai, Maharashtra		₹ 31.28 Lacs direct on project / program	₹ 31.28 Lacs	
2.	Pratham Mumbai Education Initiative	Promoting education among women.	Local Area – Mumbai, Maharashtra	₹ 60 Lacs	₹ 58.75 Lacs	₹ 58.75 Lacs	Implementing Agency – Pratham Mumbai Education Initiative – a non-governmental organization registered under the Bombay Public Charitable Trust Act, 1950.
3.	Action for Mobilization of Community Health Initiatives (AMCHI)	Promoting gender equality, empowering women and enhancing women employment.	Other – Thane, Maharashtra	₹ 30 Lacs	₹ 23.81 Lacs	₹ 23.81 Lacs	Implementing Agency – Population First – a trust registered under the Bombay Public Trust Act, 1950.
4.	One Home One Toilet	Promotion of sanitation.	Other – Pune, Maharashtra	₹ 25 Lacs	₹ 21.34 Lacs	₹ 21.34 Lacs	Implementing Agency – Shelter Associates – a trust and a society registered under the Bombay Public Trust Act, 1950.
5.	Centre for Environmental Research and Education (CERE)	Sanitation and water conservation.	Local Area – Mumbai, Maharashtra	₹ 10 Lacs	₹ 10 Lacs	₹ 10 Lacs	Implementing Agency – Centre for Environmental Research and Education, a trust registered under the Bombay Public Trust, Act 1950.

6. In case the Company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Director's Report:

Your Company exercises prudence in selecting projects and implementation partners for fulfilling its CSR objectives. The Company had for the Financial Year 2016 - 17, evaluated and identified projects / programs / organisation for the CSR expenditure. However, the fund requirement of the evaluated and identified projects / programs / organisation was tied up for the Financial Year 2016 - 17 and hence the Company could not contribute the entire 2% of the average net profit of the last three financial years.

The Company has hired a professional CSR consultant in order to effectively identify credible projects / NGO's where the Company can contribute towards its social responsibilities. With the assistance of the external

consultant your Company has been able to put in place strong institutional arrangements to engage into robust partnerships with other corporate / non-corporate foundations. Your Company will continue its process of exploring various projects & programs for its CSR contribution and strive to deliver maximum impact to society.

7. Responsibility statement of the CSR Committee that the implementation and monitoring of the CSR Policy, is in compliance with CSR objectives and Policy of the Company:

The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR Objectives and Policy of the Company.

Ravi Narain

(Chairman – CSR Committee)
DIN: 00062596

R. Sridhar

(Executive Vice-Chairman & CEO)
DIN: 00136697

ANNEXURE V

FORM NO. MGT-9 EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the
Companies (Management and Administration) Rules, 2014]

I. Registration and other Details:

CIN	U51909MH2009PLC268160
Registration Date	July 21, 2009
Name of the Company	IndoStar Capital Finance Limited
Category / Sub-Category of the Company	Public Company Limited by shares, NBFC Non-Government Company
Address of the Registered Office and contact details	One Indiabulls Center, 17th Floor, Tower 2A, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai - 400013 Telephone: +91 22 43157000; Fax: +91 22 43157010; Email id: contact@indostarcapital.com
Whether listed company (Yes / No)	Yes (Non-Convertible Debentures of the Company are listed on BSE Limited)
Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited C 101, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai, Maharashtra 400083 Telephone: +91 22 25963838 Fax: +91 22 25946979 Email id: rnt.helpdesk@linkintime.co.in

II. Principal Business Activities of the Company

Sr. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the Company
1.	Non-Banking Financial Company engaged in lending and allied activities	649	100%

III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1.	IndoStar Capital 3rd Floor, Standard Chartered Tower, Bank Street, 19 Cybercity, Ebene 72201, Mauritius	098649 C1/GBL	Holding Company	90.74	Section 2(46)
2.	IndoStar Asset Advisory Private Limited One Indiabulls Center, 17th Floor, Tower 2A, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai - 400013	U67100MH2013PTC240676	Subsidiary Company	100	Section 2(87)(ii)
3.	IndoStar Home Finance Private Limited One Indiabulls Center, 17th Floor, Tower 2A, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai - 400013	U65990MH2016PTC271587	Subsidiary Company	100	Section 2(87)(ii)

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individual / HUF	--	--	--	--	--	--	--	--	--
b) Central Government	--	--	--	--	--	--	--	--	--
c) State Govt (s)	--	--	--	--	--	--	--	--	--
d) Bodies Corp.	--	--	--	--	--	--	--	--	--
e) Banks / FI	--	--	--	--	--	--	--	--	--
f) Any Other	--	--	--	--	--	--	--	--	--
Sub-total (A) (1) :-	--	--	--	--	--	--	--	--	--
2) Foreign									
a) NRIs – Individuals	--	--	--	--	--	--	--	--	--
b) Other – Individuals	--	--	--	--	--	--	--	--	--
c) Bodies Corp.	7,11,93,292	1,76,343	7,13,69,635	97.29	7,11,02,635	--	7,11,02,635	90.74	(0.37)
d) Banks / FI	--	--	--	--	--	--	--	--	--
e) Any Other	--	--	--	--	--	--	--	--	--
Sub-total (A) (2):-	7,11,93,292	1,76,343	7,13,69,635	97.29	7,11,02,635	--	7,11,02,635	90.74	(0.37)
Total shareholding of Promoter (A) = (A)(1)+(A) (2)	7,11,93,292	1,76,343	7,13,69,635	97.29	7,11,02,635	--	7,11,02,635	90.74	(0.37)
B. Public shareholding									
1. Institutions									
a) Mutual Funds	--	--	--	--	--	--	--	--	--
b) Banks / FI	--	--	--	--	--	--	--	--	--
c) Central Government	--	--	--	--	--	--	--	--	--
d) State Govt(s)	--	--	--	--	--	--	--	--	--
e) Venture Capital Funds	--	--	--	--	--	--	--	--	--
f) Insurance Companies	--	--	--	--	--	--	--	--	--
g) FIIs	--	--	--	--	--	--	--	--	--
h) Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
i) Others (specify)	--	--	--	--	--	--	--	--	--
Sub-total (B)(1):-	--	--	--	--	--	--	--	--	--
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	--	--	--	--	--	--	--	--	--
ii) Overseas	--	--	--	--	11,35,000	22,65,000	34,00,000	4.34	100

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	580	5,000	5,580	0.01	580	9,070	9,650	0.01	72.94
i) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	--	19,79,214	19,79,214	2.70	19,33,600	19,15,914	38,49,514	4.91	94.50
c) Others	--	--	--	--	--	--	--	--	--
Sub-total (B)(2):-	580	19,84,214	19,84,794	2.71	30,69,180	41,89,984	72,59,164	9.26	265.74
Total Public Shareholding (B)=(B)(1)+(B)(2)	580	19,84,214	19,84,794	2.71	30,69,180	41,89,984	72,59,164	9.26	265.74
C. Shares held by Custodian for GDRs & ADRs	--	--	--	--	--	--	--	--	--
Grand Total (A+B+C)	7,11,93,872	21,60,557	7,33,54,429	100	7,41,71,815	41,89,984	7,83,61,799	100	6.83

ii) Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1.	IndoStar Capital	7,13,69,635	97.29	0	7,11,02,635	90.74	0	(0.37)
	Total	7,13,69,635	97.29	0	7,11,02,635	90.74	0	(0.37)

iii) Change in Promoters' Shareholding:

Name	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
IndoStar Capital	At the beginning of the year	7,13,69,635	97.29		
	Sale during the year - January 17, 2017	2,67,000	0.36	7,11,02,635	96.92
	At the End of the year	7,11,02,635	90.74 [@]		

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Name	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
Mission Street Pte Limited	At the beginning of the year	0	--		
	Purchase during the year - March 23, 2017	22,65,000	2.89	22,65,000	2.89
	At the end of the year	22,65,000	2.89		
Ms. Laxmi Shivanand Mankekar, jointly with Mr. Shivanand Shankar Mankekar, jointly with Mr. Kedar Shivanand Mankekar	At the beginning of the year	0	--		
	Purchase during the year - March 23, 2017	16,66,600	2.13	16,66,600	2.13
	At the end of the year	16,66,600	2.13		
Everstone Capital Partners II LLC	At the beginning of the year	0	--		
	Purchase during the year - March 23, 2017	11,35,000	1.45	11,35,000	1.45
	At the end of the year	11,35,000	1.45		
Mr. Sandeep Baid	At the beginning of the year	7,50,000	1.02		
	Date wise Increase / Decrease in Shareholding during the year	0	--	7,50,000	1.02
	At the end of the year	7,50,000	0.96 [@]		
Mr. Prashant Joshi	At the beginning of the year	0	--		
	Purchase during the year - March 23, 2017	2,70,000	0.34	2,70,000	0.34
	At the end of the year	2,70,000	0.34		
Mr. Saurabh Agarwal, Jointly with Mr. Sandeep Baid	At the beginning of the year	0	--		
	Purchase during the year - January 17, 2017	1,40,000	0.19	1,40,000	0.19
	At the end of the year	1,40,000	0.18 [@]		
Mr. Vivek Agarwall	At the beginning of the year	1,18,741	0.16		
	Date wise Increase / Decrease in Shareholding during the year	0	--	1,18,741	0.16
	At the end of the year	1,18,741	0.15 [@]		
Mr. Manoj Ajmera, jointly with Mr. Bandish Ajmera, jointly with Mr. Sandeep Baid	At the beginning of the year	0	--		
	Purchase during the year - January 17, 2017	80,000	0.11	80,000	0.11
	At the end of the year	80,000	0.10 [@]		
Mr. Jayant Gunjal	At the beginning of the year	48,257	0.07		
	Date wise Increase / Decrease in Shareholding during the year	0	--	48,257	0.07
	At the end of the year	48,257	0.06 [@]		
Ms. Suman Gandhi, jointly with Mr. Omprakash Gandhi, jointly with Mr. Sandeep Baid	At the beginning of the year	0	--		
	Purchase during the year - January 17, 2017	47,000	0.06	47,000	0.06
	At the end of the year	47,000	0.06 [@]		

v) Shareholding of Directors and Key Managerial Personnel:

Name	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
Mr. Shailesh Shirali (Whole-Time Director)	At the beginning of the year	5,96,915	0.81		
	Sale during the year - March 23, 2017	3,33,300	0.43	2,63,615	0.34
	At the end of the year	2,63,615	0.34		
Mr. Vimal Bhandari (Managing Director & CEO)	At the beginning of the year	4,31,458	0.59		
	Date wise Increase / Decrease in Shareholding during the year	0	--	4,31,458	0.59
	At the end of the year	4,31,458	0.55 [@]		
Mr. Pankaj Thapar (Chief Financial Officer)	At the beginning of the year	33,843	0.05		
	Date wise Increase / Decrease in Shareholding during the year	0	--	33,843	0.05
	At the end of the year	33,843	0.04 [@]		
Mr. Jitendra Bhati (Company Secretary)	At the beginning of the year	0	--		
	Purchase during the year - November 4, 2017	10	0.00	10	0.00
	At the end of the year	10	0.00 [@]		

Note: Mr. Sameer Sain, Mr. Dhanpal Jhaveri, Mr. L. Brooks Entwistle, Mr. Alok Oberoi, Ms. Shweta Bhatia, Mr. Deepak Shahdadpuri, Mr. Eric Stuart Schwartz, Mr. Ravi Narain, Mr. Bobby Parikh and Mr. D. Sivanandhan, Directors of the Company did not hold any shares at the beginning and at the end of the year.

[@]Due to issue of 50,07,370 equity shares during the year, the percentage of shares held to share capital as at the end of the Financial Year, will not match with the respective cumulative percentage of shares held to the share capital at the beginning of the year or as at last transaction undertaken during the year under review, as the case may be.

V. Indebtedness
Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Amount in ₹ Lacs)

	Secured Loans excluding Deposits	Unsecured Loans*	Deposits	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
(i) Principal Amount	2,50,143.8	40,000.0	--	2,90,143.8
(ii) Interest due but not paid	--	--	--	--
(iii) Interest accrued but not due	7,417.6	--	--	7,417.6
Total (i+ii+iii)	2,57,561.4	40,000.0	--	2,97,561.4
Change in Indebtedness during the Financial Year				
• Addition	1,08,803.1	2,10,500.0	--	3,19,303.1
• Reduction	1,00,075.1	1,80,000.0	--	2,80,075.1
Net Change	8,728.1	30,500.0	--	39,228.1
Indebtedness at the end of the Financial Year				
(i) Principal Amount	2,58,674.4	70,500.0	--	3,29,174.4
(ii) Interest due but not paid	--	--	--	--
(iii) Interest accrued but not due	7,615.0	--	--	7,615.0
Total (i+ii+iii)	2,66,289.4	70,500.0	--	3,36,789.4

* includes Commercial Papers

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration paid to Managing Director and Whole-time Director:

(Amount in ₹ Lacs)

Sr. No.	Particulars of Remuneration	Name of MD / WTD		Total Amount
		Mr. Vimal Bhandari (MD and CEO)	Mr. Shailesh Shirali (WTD)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	321.4	521.4	842.8
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	13.0	--	13.0
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	--	--	--
2.	Stock Option	--	--	--
3.	Sweat Equity	--	--	--
4.	Commission	--	--	--
	- as % of profit			
	- others, specify			
5.	Others, please specify (Reimbursements)	0.2	--	0.2
	Total (A)	334.6	521.4	856.0
	Ceiling as per the Act	₹ 3,204.3 Lacs as on Financial Year ended March 31, 2017 (Being 10% of the net profits of the Company as calculated under Section 198 of the Companies Act, 2013)		

B. Remuneration to other Directors:

(Amount in ₹ Lacs)

Independent Directors							
Particulars of Remuneration	Name of Directors				Total Amount		
	Mr. Bobby Parikh	Mr. Ravi Narain	Mr. Eric Stuart Schwartz	Mr. D. Sivanandhan			
Fee for attending board / committee meetings	6.1	6.6	1.0	6.6	20.3		
Commission#	9.0	9.0	9.0	9.0	36.0		
Others, please specify	--	--	--	--	--		
Total (1)	15.1	15.6	10.0	15.6	56.3		
Other Non-Executive Directors							
Particulars of Remuneration	Name of Directors						Total Amount
	Mr. Sameer Sain	Mr. Alok Oberoi	Mr. Dhanpal Jhaveri	Ms. Shweta Bhatia	Mr. Deepak Shahdarpuri	Mr. L. Brooks Entwistle	
Fee for attending board / committee meetings	--	--	--	--	--	--	--
Commission	--	--	--	--	--	--	--
Others, please specify	--	--	--	--	--	--	--
Total (2)	--	--	--	--	--	--	--
Total (B)=(1+2)							56.3
Ceiling as per the Act	₹ 320.4 Lacs as on Financial Year ended March 31, 2017 (Being 1% of the net profits of the Company as calculated under Section 198 of the Companies Act, 2013)						
Total Managerial Remuneration (A+B)							912.3
Overall Ceiling as per the Act	₹ 3,524.7 Lacs as on Financial Year ended March 31, 2017 (Being 11% of the net profits of the Company as calculated under Section 198 of the Companies Act, 2013)						

#Commission paid for the Financial Year 2016 - 17 during the Financial Year 2017 - 18

C. Remuneration to Key Managerial Personnel other than MD / WTD

(Amount in ₹ Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Pankaj Thapar (CFO)	Jitendra Bhati (CS)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	290.9	78.4	369.3
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	--	--	--
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	--	--	--
2.	Stock Option	--	--	--
3.	Sweat Equity	--	--	--
4.	Commission	--	--	--
	- as % of profit			
	- others, specify			
5.	Others, please specify (Reimbursements)	0.4	--	0.4
	Total	291.3	78.4	369.7

VII. Penalties / Punishment / Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD / NCLT / COURT)	Appeal made, if any
A. COMPANY					
Penalty			Nil		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			Nil		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			Nil		
Punishment					
Compounding					

ANNEXURE VI

Disclosures under the IndoStar ESOP Plan 2012 (ESOP 2012), IndoStar ESOP Plan 2016 (ESOP 2016) and IndoStar ESOP Plan 2016 – II (ESOP 2016 – II), pursuant to Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 as on Financial Year ended March 31, 2017:

Particulars	ESOP 2012	ESOP 2016	ESOP 2016 - II
Number of options granted	16,01,254	26,88,036	27,57,000
Number of options vested	2,23,500	0	0
Number of options exercised	4,070	0	0
Total number of shares arising as a result of exercise of options	4,070	0	0
Number of options lapsed / cancelled	1,06,400	2,87,259	10,000
Exercise Price of the options exercised in ₹ / equity share	₹ 140 for 3,400 options	NA	NA
	₹ 145 for 200 options		
	₹ 149.37 for 470 options		
Variation of terms of options	N.A.	NA	NA
Money realised by the exercise of options	₹ 5.8 Lacs	NA	NA
Total number of options in force	14,90,784	24,00,777	27,47,000

• **Details of options granted to Key Managerial Personnel:**

Sr. No.	Name	Designation	Options granted during the year ended March 31, 2017			Options in force as on March 31, 2017		
			ESOP 2012	ESOP 2016	ESOP 2016 - II	ESOP 2012	ESOP 2016	ESOP 2016 - II
1.	Mr. Vimal Bhandari	Managing Director and CEO	4,85,511	--	--	8,61,511	--	--
2.	Mr. Shailesh Shirali	Whole - Time Director	--	17,10,777	--	50,000	17,10,777	--
3.	Mr. Pankaj Thapar	Chief Financial Officer	--	5,00,000	--	1,92,000	5,00,000	--
4.	Mr. Jitendra Bhati	Company Secretary	--	--	60,000	4,990	--	60,000

• **Details of employees including director(s) who have received a grant of options in any one year, of options amounting to five percent or more of options granted during that year**

Sr. No.	Name of Employee	Number of options Granted under ESOP 2012	Number of options Granted under ESOP 2016	Number of options Granted under ESOP 2016 - II
Financial Year 2012 - 13 - Total options granted:		3,23,000	NA	NA
1.	Mr. Jayant Gunjal	22,000	--	--
2.	Mr. Pankaj Thapar	42,000	--	--
3.	Mr. Rohit Talwalkar	22,000	--	--
4.	Mr. Vimal Bhandari	76,000	--	--
5.	Mr. Vinod Lund	22,000	--	--
6.	Mr. Deepak Bakliwal	50,000	--	--
7.	Mr. Nishant Kotak	50,000	--	--
Financial Year 2013 - 14 - Total options granted		10,000	NA	NA
1.	Mr. Ravi Narain	10,000	--	--
Financial Year 2014 - 15 - Total options granted		6,66,000	NA	NA
1.	Mr. Vimal Bhandari	3,00,000	--	--
2.	Mr. Pankaj Thapar	1,50,000	--	--

Sr. No.	Name of Employee	Number of options Granted under ESOP 2012	Number of options Granted under ESOP 2016	Number of options Granted under ESOP 2016 - II
3.	Mr. Shailesh Shirali	50,000	--	--
Financial Year 2015 - 16 – Total options granted		NIL	NA	NA
Financial Year 2016 - 17 - Total options granted		6,02,254	26,88,036	27,57,000
1.	Mr. Vimal Bhandari	4,85,511	--	--
2.	Mr. Jayant Gunjal	1,16,743	--	2,00,000
3.	Mr. Shailesh Shirali	--	17,10,777	--
4.	Mr. Pankaj Thapar	--	5,00,000	--
5.	Mr. Prashant Joshi	--	--	9,67,000
6.	Mr. Deepak Bakliwal	--	--	5,00,000

- **Details of employees including director(s) who were grant options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant:**

Sr. No	Name of Employee	Options Granted under ESOP 2016	Options Granted under ESOP 2016 - II
Financial Year 2016-17			
1.	Mr. Shailesh Shirali	17,10,777	--
2.	Mr. Prashant Joshi	--	9,67,000

REPORT ON CORPORATE GOVERNANCE

for the financial year 2016-17

Company's Philosophy on Corporate Governance

At IndoStar, we believe that sound corporate governance practices are the bedrock for the functioning of the Company and for the creation of value for its stakeholders on a sustainable and long-term basis. This philosophy guides us in defining and maintaining an ethical framework within which we operate.

Board Composition

Your Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through strategic supervision. The Board provides direction and exercises appropriate controls. The Corporate Governance principles of your Company have been formulated to ensure that the Board remains informed, independent and participates actively in the affairs of your Company.

In addition to the basic governance practices, the Board of your Company lays strong emphasis on transparency, accountability and integrity. Your Company also strives to enhance stakeholders' value by taking measures to continuously improve Corporate Governance standards.

As at March 31, 2017, the Board of the Company comprised of 12 Directors of whom 4 were Non-Executive Independent Directors, 6 were Non-Executive Directors representing shareholders, 1 Managing Director and 1 Whole-Time Director:

Name of Director	Category
Mr. Sameer Sain	Non-Executive Director
Mr. L. Brooks Entwistle	Non-Executive Director
Mr. Dhanpal Jhaveri	Non-Executive Director
Mr. Alok Oberoi	Non-Executive Director
Ms. Shweta Bhatia	Non-Executive Director
Mr. Deepak Shahdadpuri	Non-Executive Director
Mr. Eric Stuart Schwartz	Non-Executive Independent Director
Mr. Ravi Narain	Non-Executive Independent Director
Mr. Bobby Parikh	Non-Executive Independent Director
Mr. D. Sivanandhan	Non-Executive Independent Director
Mr. Vimal Bhandari	Managing Director & CEO
Mr. Shailesh Shirali	Whole-Time Director

Subsequent to the year under review, Mr. Vimal Bhandari resigned from the office of Managing Director & CEO and Mr. R. Sridhar was appointed as Whole-Time Director designated as Executive Vice-Chairman and CEO, with effect from April 18, 2017.

Subsequent to the year under review, Mr. Dhanpal Jhaveri, Non-Executive Director, was appointed as Chairman of the Board of Directors of the Company.

Board Meetings

The schedule of the Board / Committee meetings to be held in a Financial Year is circulated in advance to enable the Directors / Committee Members to plan their schedule and ensure their highest participation at meetings. Directors are given an option of attending Board / Committee meetings through video conference in order to ensure effective decision making through increased participation by the Directors. The agenda along with detailed notes are circulated to the Directors well in advance and all material information is incorporated in the agenda for facilitating meaningful and focused discussions at meetings of the Board and its Committees.

During the year under review, 7 meetings of the Board of Directors of the Company were convened and held on April 11, 2016, May 13, 2016, August 2, 2016, September 21, 2016, November 10, 2016, January 25, 2017 and March 15, 2017. These meetings were held in a manner that at least one meeting was held in every quarter and a gap of not more than 120 days lapsed between two consecutive meetings. The required quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the Board by way of resolutions passed through circulation, from time to time.

Attendance of Directors at Board Meetings of the Company held during FY 2016-17

Name of the Directors	No. of Meetings held	*No. of Meetings attended
Mr. Sameer Sain	7	2
Mr. L. Brooks Entwistle	7	1
Mr. Dhanpal Jhaveri	7	6
Mr. Alok Oberoi	7	2
Ms. Shweta Bhatia	7	7
Mr. Deepak Shahdadpuri	7	3
Mr. Eric Stuart Schwartz	7	1
Mr. Ravi Narain	7	6
Mr. Bobby Parikh	7	5
Mr. D. Sivanandhan	7	7
Mr. Vimal Bhandari	7	7
Mr. Shailesh Shirali	7	6

* Directors also participate in Board Meeting(s) through tele-conference mode; attendance through such mode is not included above.

Independent Directors Meeting

In terms of Schedule IV of the Companies Act, 2013, a Meeting of the Non-Executive Independent Directors of the Company was held on March 27, 2017 without the attendance of the Non-Independent Directors and members of the Management of the Company.

At their meeting, the Independent Directors reviewed and assessed the performance of Non-Independent Directors and the Board as a collective entity. The Independent Directors also reviewed the quality, quantity, content and timeliness of the flow of information between the Management and the Board and its Committees, which was necessary for the Board to perform its duties effectively.

Board Committees

In terms of the applicable circular(s), notification(s) and direction(s) issued by the Reserve Bank of India ("the RBI Regulations"), the applicable provisions of the Companies Act, 2013 and the Company's internal corporate governance

requirements, the Board of Directors have constituted the following committees and the role of each committee has been broadly defined for effective business operations and governance of the Company.

Minutes of the meetings of all the Committees constituted by the Board are placed before the Board for discussion and noting.

Credit Committee

Composition, Meetings and Attendance

The Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. Sameer Sain	Non-Executive Director	Chairman	4	2
Mr. L. Brooks Entwistle	Non-Executive Director	Member	4	1
Mr. Dhanpal Jhaveri	Non-Executive Director	Member	4	3
Ms. Shweta Bhatia	Non-Executive Director	Member	4	4
Mr. Deepak Shahdarpuri	Non-Executive Director	Observer	NA	NA
Mr. Eric Stuart Schwartz	Non-Executive Independent Director	Observer	NA	NA

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

During the year under review, the Committee met 4 times on May 13, 2016, August 2, 2016, November 10, 2016 and January 25, 2017. The required quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation from time to time.

Terms of reference

The terms of reference of the Committee inter-alia includes: deployment of capital / resources of the Company, approving

credit proposals in accordance with risk policy approved by the Risk Management Committee of the Company, formulate, recommend, review, alter and implement the various policies adopted by the Company with reference to the Committee.

Audit Committee

Composition, Meetings and Attendance

The Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. Bobby Parikh	Non-Executive Independent Director	Chairman	2	2
Mr. Ravi Narain	Non-Executive Independent Director	Member	2	2
Mr. D. Sivanandhan	Non-Executive Independent Director	Member	2	2
Mr. Dhanpal Jhaveri	Non-Executive Director	Member	2	2
Ms. Shweta Bhatia	Non-Executive Director	Member	2	2

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

In terms of Section 177 of the Companies Act, 2013 read with Companies (Meetings of the Board and its Powers) Rules, 2014, the majority of the Committee comprises of the Independent Directors.

During the year under review, the Committee met 2 times on May 13, 2016 and November 10, 2016. The required quorum was present at both the meetings. The Chairman of the Audit Committee was present at the last Annual General Meeting of

the Company held on September 7, 2016 and the Extraordinary General Meetings held on May 9, 2016, October 17, 2016 and March 17, 2017.

Terms of reference

The terms of reference of the Committee inter-alia includes: dealing with all material questions concerning the auditing and accounting policies of the Company and its subsidiary(ies) and their financial controls and systems or any other function as may be determined by the Board, review and ensure correctness, sufficiency and credibility of Financial Statements, recommend

appointment / re-appointment / removal of Statutory and Internal Auditors, overseeing the Whistle Blower Policy / Vigil Mechanism, monitor transactions with Related Parties, reviewing monitoring and evaluating the internal control system including internal financial controls and risk management system etc.

Asset-Liability Management Committee (ALCO)

Composition, Meetings and Attendance

The Composition of the Committee as at March 31, 2017 and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. Vimal Bhandari	Executive Director	Chairman	4	4
Mr. Dhanpal Jhaveri	Non-Executive Director	Member	4	3
Ms. Shweta Bhatia	Non-Executive Director	Member	4	4

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

Subsequent to the year under review, the ALCO was reconstituted by appointing Mr. R. Sridhar as Chairman of the Committee in place of Mr. Vimal Bhandari.

During the year under review, the ALCO met 4 times on May 13, 2016, August 2, 2016, November 10, 2016 and January 25, 2017. The required quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Terms of reference

The terms of reference of the Committee inter-alia includes: monitoring the asset liability composition of the Company's

business, determining actions to mitigate risks associated with the asset liability mismatches, approve proposals and detailed terms and conditions of borrowings from banks, reviewing the borrowing programme of the Company, review product pricing and desired maturity profile of assets and liabilities and also the mix of incremental assets & liabilities, etc.

Risk Management Committee

Composition, Meetings and Attendance

The Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. L. Brooks Entwistle	Non-Executive Director	Chairman	4	1
Ms. Shweta Bhatia	Non-Executive Director	Member	4	4
Mr. Alok Oberoi	Non-Executive Director	Member	4	2
Mr. Eric Stuart Schwartz	Non-Executive Independent Director	Member	4	1
Mr. Bobby Parikh	Non-Executive Independent Director	Member	4	4

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

During the year under review, the Committee met 4 times on May 13, 2016, August 2, 2016, November 10, 2016 and January 25, 2017. The required quorum was present at all the above meetings. Due to business exigencies, certain decision(s) were taken by the Committee by way of resolutions passed through circulation.

Terms of reference

The terms of reference of the Committee inter-alia includes: identifying, monitoring and managing risks that affect / may affect the Company, deciding on the appropriateness of the size and nature of transactions undertaken by the Company, setting

up and reviewing risk management policies of the Company from time to time, overseeing execution of / implementation of Risk Management Practices etc.

Nomination & Remuneration Committee

Composition, Meetings and Attendance

The Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. Bobby Parikh	Non-Executive Independent Director	Chairman	3	2
Mr. Dhanpal Jhaveri	Non-Executive Director	Member	3	3
Ms. Shweta Bhatia	Non-Executive Director	Member	3	3
Mr. Alok Oberoi	Non-Executive Director	Member	3	0
Mr. Eric Stuart Schwartz	Non-Executive Independent Director	Member	3	0
Mr. Ravi Narain	Non-Executive Independent Director	Member	3	3

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

During the year under review, the Committee met 3 times on April 11, 2016, May 13, 2016 and September 21, 2016. The required quorum was present at all the meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

In terms of Section 178 of the Companies Act, 2013 read with Companies (Meetings of the Board and its Powers) Rules, 2014, one half of the Committee comprises of Independent Directors. In terms of the requirement of the Companies Act, 2013, the Chairman of the Nomination and Remuneration Committee was present at the last Annual General Meeting of the Company held on September 7, 2016 and the Extraordinary General Meetings held on May 9, 2016, October 17, 2016 and March 17, 2017.

Terms of reference

The terms of reference of the Committee inter-alia includes: deciding on specific remuneration packages (including pension rights and compensation payments) of the Executive Directors, Non-Executive Directors (including Independent Directors) and Senior Level Employees, formulating criteria for determining qualification, positive attributes, 'fit and proper' person status and independence of directors / senior management personnel, administering and implementing the Employee Stock Option Scheme(s) etc.

Corporate Social Responsibility (CSR) Committee

Composition, Meetings and Attendance

The Composition of the Committee as at March 31, 2017 and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. Ravi Narain	Non-Executive Independent Director	Chairman	2	2
Mr. Dhanpal Jhaveri (w.e.f. March 17, 2017)	Non-Executive Director	Member	NA	NA
Mr. L. Brooks Entwistle	Non-Executive Director	Member	2	1
Ms. Shweta Bhatia	Non-Executive Director	Member	2	2
Mr. D. Sivanandhan	Non-Executive Independent Director	Member	2	2
Mr. Vimal Bhandari	Executive Director	Member	2	2

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

Subsequent to the year under review, the CSR Committee was reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari.

During the year under review, the Committee met 2 times on May 13, 2016 and January 25, 2017. The required quorum was present at both the meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Terms of reference

The terms of reference of the Committee inter-alia includes: formulating and monitoring the CSR Policy, recommending to the Board the amount and area of CSR expenditure, implementation and monitoring the CSR Projects, etc.

Debenture Committee

Composition, Meetings and Attendance

The Composition of the Committee as at March 31, 2017 and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Category	Status	No. of Meetings held	*No. of Meetings attended
Mr. Dhanpal Jhaveri	Non-Executive Director	Chairman	3	3
Ms. Shweta Bhatia	Non-Executive Director	Member	3	3
Mr. Vimal Bhandari	Executive Director	Member	3	3
Mr. Shailesh Shirali	Executive Director	Member	3	3

* Members also participate in Committee Meeting(s) through tele-conference mode; attendance through such mode is not included above.

Subsequent to the year under review, the Debenture Committee was reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari.

During the year under review, the Debenture Committee met 3 times on May 6, 2016, June 28, 2016 and February 3, 2017. The required quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Terms of reference

The terms of reference of the Committee inter-alia includes determination and approval of all matters relating to the issue / buyback / repurchase of debentures and all other acts and deeds that it deems necessary / incidental in that regard.

Allotment and Share Transfer Committee

Composition of the Allotment and Share Transfer Committee as at March 31, 2017: Mr. Dhanpal Jhaveri, Ms. Shweta Bhatia and Mr. Vimal Bhandari.

Subsequent to the year under review, the Allotment and Share Transfer Committee was reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari.

During the year under review, the Committee met once on March 23, 2017. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

The terms of reference of the Allotment and Share Transfer Committee inter-alia includes: to issue call notices and issue receipts upon payment of amounts towards calls made, approve requests for transfer of shares of the Company and approve allotment of equity shares of the Company in compliance with applicable laws and Articles of Association of the Company.

IPO Committee

Composition of the IPO Committee: Mr. Dhanpal Jhaveri, Ms. Shweta Bhatia and Mr. Vimal Bhandari.

Subsequent to the year under review, the IPO Committee was reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari.

The terms of reference of the IPO Committee inter-alia includes: to take all operational decisions pertaining to pre – IPO work including but not limited to appointment of merchant banker(s), legal counsel and such other intermediaries with respect to pre IPO work to be undertaken by the Company.

OTHER COMMITTEES

The Internal Complaints Committee

In terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Board of Directors of your Company have constituted an Internal Complaints Committee.

Composition of the Internal Complaints Committee: Ms. Ophelia DeRoze (Presiding Officer), Mr. Pankaj Thapar, Ms. Mamata Pradhan and Ms. Kanti Joshi (External Member from an association committed to the cause of women).

During the year under review, the Committee met once on December 5, 2016. No complaints related to sexual harassment were received by the Committee.

The terms of reference of the Committee inter-alia includes: conducting an inquiry into complaints made by any aggrieved women at the workplace and arrive at a conclusion as to whether the allegation for which the complaint has been filed was proved or not and take necessary actions to resolve the complaints, preparing annual report for each calendar year and submitting the same to the Board of Directors and the District Officer. The Committee monitors the Company's Care and Dignity Policy.

Grievances Redressal Committee

Composition of the Grievances Redressal Committee as at March 31, 2017: Mr. Vimal Bhandari and Mr. Pankaj Thapar. Mr. Pankaj Thapar is the designated Grievance Redressal Officer of the Company.

Subsequent to the year under review, the Grievances Redressal Committee was reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari.

During the year under review, the Committee met once on August 2, 2016.

The status of the customer complaints pending at the beginning of the year under review, received during the year, redressed during the year and pending at the end of the year forms part of Notes to the Financial Statements.

In addition, for the purpose of effective implementation of the Fair Practices Code adopted by the Company, the Committee has also adopted a Grievance Redressal Mechanism which inter-alia assists in communicating to the Customers the modes available to them for redressing their grievances.

The terms of reference of the Committee inter-alia includes: addressing complaints of borrowers or customers of the Company, including but not limited to applications for loans and their processing, loan appraisal and its terms / conditions, disbursement of loans, change in terms and conditions and any other grievances that a borrower or customer may have against the Company.

Banking Committee

Composition of the Banking Committee as at March 31, 2017: Mr. Dhanpal Jhaveri, Mr. Vimal Bhandari and Mr. Pankaj Thapar.

Subsequent to the year under review, the Banking Committee: was reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari.

During the year under review, the Committee met 2 times on April 13, 2016 and March 6, 2017.

The terms of reference of the Banking Committee, constituted for the internal functioning of the Company inter-alia includes: matters relating to opening, operating, closing, change in signatories or such related matters of Bank Account(s), Demat Account(s), Broking Account(s), Trading Account(s) and CSGL Account(s) of the Company.

Management Committee, Corporate Lending Committee and Retail Lending Committee

The Board of Directors had constituted the Management Committee which was the principal forum for taking operational decisions for the effective functioning of the Company. Pursuant to the growth of business, in size, as well as expansion across multiple products, locations and entities the Board amended the terms of reference of the Management Committee and constituted the Corporate Lending Committee and Retail Lending Committee.

Composition:

Composition of the Management Committee as at March 31, 2017: Mr. Vimal Bhandari, Mr. Shailesh Shirali, Mr. Prashant Joshi and Mr. Pankaj Thapar.

Composition of the Corporate Lending Committee as at March 31, 2017: Mr. Dhanpal Jhaveri (Chairman), Mr. Vimal Bhandari, Mr. Shailesh Shirali and Mr. Pankaj Thapar.

Composition of the Retail Lending Committee as at March 31, 2017: Mr. Dhanpal Jhaveri (Chairman), Mr. Vimal Bhandari, Mr. Prashant Joshi and Mr. Pankaj Thapar.

Subsequent to the year under review, the Management Committee, Corporate Lending Committee and the Retail Lending Committee were reconstituted by appointing Mr. R. Sridhar as a Member of the Committee in place of Mr. Vimal Bhandari in each of the Committee(s).

Meetings: The Committee(s) meet on multiple occasions as and when required, but normally at least once a month.

Terms of Reference:

Management Committee

The terms of reference of the Management Committee inter-alia includes: decision making around all policy matters or legally mandated matters unless restricted by the law or Board. The Management Committee is also responsible for all administrative and operational matters such as capital expenditure, leasing of premises, authority to represent the Company etc.

Corporate Lending Committee

The terms of reference of the Corporate Lending Committee inter-alia includes the following with respect to the Corporate Lending Business of the Company: examining credit proposals and recommending the same to the Credit Committee for its approval, approve deviations to sanctioned credit proposals, approve / recommend amendment(s) to / adoption of various relevant policies / manuals, implement policies adopted by the Board, Credit Committee and Management Committee, approve deployment of funds in terms of Treasury Policy, approve proposals under Short Term Loan Programme and Sell Down Mandate of the Company, update and report to the Credit Committee, approve appointment of employees, and all other acts, deeds and things, which do not require specific approval of the Board.

Retail Lending Committee

The terms of reference of the Retail Lending Committee inter-alia includes the following with respect to the SME & Retail Business of the Company: adopting / revising policies, approving appointment of various agencies / vendors, approving or modifying various agreement(s), document(s) & contract(s), undertaking all or any business and / or operational activities and updating / reporting to the Credit Committee.

General Meetings

Annual General Meeting

During the year under review, the Annual General Meeting of the Company for the Financial Year ended March 31, 2016 was held on September 7, 2016. The Members accorded their approval in the requisite manner for the following matters:

- Adoption of Standalone and Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2016;
- Re-appointment of Mr. Dhanpal Jhaveri (DIN: 02018124), Director Retiring by Rotation;
- Re-Appointment of Mr. Sameer Sain (DIN: 01164185), Director Retiring by Rotation;
- Re-Appointment of Mr. Deepak Shahdarpuri (DIN: 00444270), Director Retiring by Rotation;
- Ratification of appointment of S.R. Batliboi & Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company and to fix their Remuneration;
- Borrowing Limits for the Company;
- Creation of security / charge on the Assets of the Company; and
- Issue of Non-Convertible Debentures on Private Placement Basis.

Extraordinary General Meeting(s)

During the year under review, 3 Extraordinary General Meeting(s) (EGM) of the Company were held. The Members accorded their approval in the requisite manner for the following matters in the respective EGM:

EGM held on May 9, 2016:

- Re-appointment of Mr. Vimal Bhandari as Managing Director & CEO of the Company;
- IndoStar ESOP Plan 2016;
- IndoStar ESOP Plan 2016 – Holding Company and / or Subsidiary Company(ies);
- Grant of stock options to Mr. Shailesh Shirali, Whole-Time Director, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant of option; and
- Issue of Non-Convertible Debentures on Private Placement basis.

EGM held on October 17, 2016:

- IndoStar ESOP Plan 2016 - II
- IndoStar ESOP Plan 2016 – II – Holding Company and / or Subsidiary Company(ies)
- Increase in the Authorised Share Capital of the Company and consequent alteration of Clause V(a) of the Memorandum of Association of the Company.

EGM held on March 17, 2017:

- Further issue of up to 50,03,300 Equity Shares on Preferential Allotment basis.

Policies and Codes

In terms of the guidelines / directions / circulars issued by the Reserve Bank of India, the applicable provisions of the Companies Act, 2013, the applicable regulations issued by the Securities and Exchange Board of India and as a part of good corporate governance, the Board of Directors has adopted several codes / policies / guidelines for the effective governance of the Company which inter-alia includes the following:

Internal Guidelines on Corporate Governance

In terms of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India and in order to adopt best practices and greater transparency in its operations, the Company has formulated and adopted Internal Guidelines on Corporate Governance.

The Internal Guidelines on Corporate Governance covers governance matters / compliance / actions inter-alia with respect to the Board, the Committees constituted by the Board, subsidiary company(ies) auditors, avoidance of conflict of interest and other Code(s) and Policy(ies) of the Company. The Internal Guidelines on Corporate Governance are available on the website of the Company.

Fair Practices Code

In terms of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India, the Company has adopted a Fair Practices Code for the Company which inter-alia includes matters related to manner of application for loans & their processing, loan appraisal & terms / conditions and disbursement of loans including changes in terms and conditions.

In terms of the Fair Practices Code adopted by the Company, to provide best customer services and to ensure speedy redressal of customer grievances, the Company has adopted a Customer Grievance Redressal Mechanism which includes the manner in which the complaints can be registered by a customer and the resolution of complaints by the Company.

The Fair Practices Code and the Grievance Redressal Mechanism are available on the website of the Company.

Investment and Loan Policy

In terms of the requirements of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, to have a documented policy for investment and demand / call loans granted by the Company, the Company has adopted an Investment and Loan Policy including specific provisions for demand / call loans.

The Investment and Loan Policy inter-alia covers (i) for investments - the criteria to classify the investments into current and long term investments, transfer of investments, norms for depreciation / appreciation, categorization, valuation and manner of transacting in government securities; and (ii) for lending - specific provisions for demand / call loans, takeover / refinancing, provisions around lending against shares, collateral value / asset cover, infrastructure loans, asset classification and provisioning requirements.

Policy on Single / Group Exposure Norms

In terms of the requirements of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, to have a documented policy with respect to exposure to a single party or a single group of parties, the Company has adopted a Policy on Single / Group Exposure Norms.

The Policy on Single / Group Exposure Norms inter-alia intends to align the loan / investment amounts of the Company to the repayment capacity / servicing ability of the borrower and spread exposures over a large number of borrowers / entities and to contain the impact of market, economic and other movements on the portfolio.

Policy on Know Your Customer (KYC) Norms and Anti Money Laundering (AML) Measures (KYC & AML Policy)

In terms of the circular(s) and direction(s) on KYC Norms and AML Measures issued by the Reserve Bank of India, the Prevention of Money Laundering Act, 2002 and Rules made thereunder, your Company has adopted a KYC & AML Policy. This policy document inter-alia incorporates the Company's approach towards KYC norms, AML measures and Combating of Financing of Terrorism (CFT) related issues.

The KYC & AML Policy provides a comprehensive and dynamic framework and measures to be taken in regard to KYC, AML and CFT. The primary objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

Risk Framework and Policy

In terms of the RBI Regulations and provisions of the Companies Act, 2013, the Company's Risk Framework and Policy encompasses the organisation structure, strategies, systems and procedures. It integrates various elements of risk management embodied in the business and administrative aspects of the Company into a unified enterprise-wide policy. The Policy is laid down keeping in view the organisation objectives, business strategy and complexity arising out of the products / services and other activities carried out in pursuit of these objectives and implementation of these strategies. The Risk Framework and Policy is available on the website of the Company.

Internal Control Framework

In terms of the provisions of the Companies Act, 2013, requiring the Company to lay down adequate internal financial controls and in order to strengthen the existing internal controls of the Company enforced through its policies / processes / codes, your Company has adopted an Internal Control Framework. The Internal Control Framework largely outlines a framework for identifying financial reporting and operational risks which may affect the Company, necessary steps to mitigate such risks, reduce the probability of and potential impact in case of materialization of risks, creating awareness amongst functional staff and draw down a risk ownership structure to manage risk related aspects in a timely manner.

Interest Rate Policy

In terms of the RBI Regulations, the Company determines the pricing of loans in a transparent and open manner. In terms of

the requirement of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, to have a policy document for interest rates being charged on loans disbursed by the Company and the Fair Practices Code of the Company, your Company has adopted an Interest Rate Policy.

Since the Company focuses on providing credit only to customers meeting its credit standards for varying tenors, the interest rate applicable to each loan account, is assessed on a case to case basis, based on the evaluation of various factors and within the range prescribed in the Interest Rate Policy. The Interest Rate Policy of the Company inter-alia outlines the manner and factors to be considered while determining Interest Rate applicable to a particular loan and procedural aspects in that regard and the approach of the Company for gradation of risk. The range of Annualised Rate of Interest that can be charged by the Company across different products and sectors is mentioned in the Interest Rate Policy. The Interest Rate Policy is available on the website of the Company.

Asset Liability Management Policy (ALCO Policy)

In terms of requirements of the Asset Liability Management (ALM) Guidelines prescribed vide Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Asset Liability Management Committee of the Board has put in place the ALCO Policy.

The ALCO Policy provides a comprehensive and dynamic framework for assessing, measuring, monitoring and managing ALM risks. It also involves altering the asset liability portfolio in a dynamic way in order to manage ALM risks. The policy also describes the process that the Asset Liability Management Committee will use to evaluate the effectiveness of the Company's internal control procedures. The ALCO Policy is available on the website of the Company.

Treasury Policy

The Treasury Policy provides guidelines on how the Company shall productively deploy its surplus funds, pending deployment of funds in business. In terms of the Treasury Policy of the Company the key criteria to be looked at while deploying surplus funds of the Company from a treasury perspective are capital protection, liquidity and returns in that order of priority.

Resource Planning Policy

In terms of the requirement of the Guidelines on Private Placement of Non-Convertible Debentures issued vide Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, to have a documented Policy with respect

to resource planning for every year, the Company has adopted a Resource Planning Policy for the Financial Year 2016-17.

The Resource Planning Policy of the Company inter-alia promotes discipline in resource planning and raising of funds through private placement of Non-Convertible Debentures, Bank Borrowings and issuance of Commercial Papers and also covers the planning horizon and the periodicity of funds raising by the Company.

Fraud Risk Policy

In terms of Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016, your Company has adopted a Fraud Risk Policy. In order to ensure effective implementation of the Fraud Risk Policy, your Company has adopted a Fraud Risk Management Framework.

The Fraud Risk Policy sets out the responsibility of employees and management in relation to reporting of fraud or suspected fraud within the Company. The Fraud Risk Policy applies to any irregularity, or suspected irregularity, involving employees, borrowers and where appropriate consultants, vendors, contractors, outside agencies doing business with the Company or employees of such agencies, and / or any other parties having a business relationship with the Company.

Policy on Selection Criteria / "Fit & Proper" Person Criteria

In terms of Section 178 of the Companies Act, 2013 and Guidelines on Corporate Governance issued vide Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India, the Company has adopted a Policy on Selection Criteria / "Fit and Proper" Person Criteria which lays down a framework relating to appointment of director(s) and senior management personnel including key managerial personnel of the Company.

The Policy on Selection Criteria / "Fit and Proper" Person Criteria inter-alia includes:

- Manner / process for selection of Directors and Senior Management Personnel including Key Managerial Personnel
- Qualifications for appointment of Directors
- Positive attributes of Directors
- Independence of Independent Director(s)
- "Fit and Proper" person criteria of Directors

In terms of the Policy on Selection Criteria / "Fit and Proper" Person Criteria, the Nomination and Remuneration Committee is primarily responsible for:

- Guiding the Board in relation to appointment and removal of Director(s), Senior Management Personnel and Key Managerial Personnel of the Company;
- Formulating the criteria for determining the qualifications, positive attributes for appointment of Director(s) and Senior Management Personnel and independence for Independent Director(s);
- Ensuring “Fit and Proper” Person status of proposed / existing Director(s);
- Recommending to the Board, the appointment and removal of Director(s), Senior Management Personnel and Key Managerial Personnel.

The Policy on Selection Criteria / “Fit & Proper” Person Criteria is available on the website of the Company.

Whistle Blower Policy / Vigil Mechanism

In terms of requirements of Section 177 of the Companies Act, 2013 read with Rules made thereunder, the Company has formulated a codified Whistle Blower Policy / Vigil Mechanism in order to encourage anyone connected with the Company, to come forward and express in good faith, genuine concerns about unethical and improper practices or any other wrongful conduct in the Company, without fear of punishment, victimization or unfair treatment.

The Vigil Mechanism provides a channel to report to the management concerns about unethical behavior, actual or suspected fraud or violation of various codes or policies of the Company and provides adequate safeguards against victimization of persons who use such mechanism. The Mechanism provides for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. The Whistle Blower Policy / Vigil Mechanism is available on the website of the Company.

Remuneration Policy

In terms of the provisions of Section 178 of the Companies Act, 2013 read with Rules made thereunder, the Board has adopted a Remuneration Policy covering remuneration related aspects of the remuneration to be paid to Directors, Key Managerial Personnel and other Employees of the Company.

The Remuneration Policy is adopted to inter-alia ensure that remuneration paid by the Company is in compliance with the requirements of the applicable law(s), relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Remuneration Policy is available on the website of the Company.

Corporate Social Responsibility (CSR) Policy

In terms of Section 135 read with Rules made thereunder, the Company has adopted a CSR Policy which helps in furtherance of the Company's objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a Socially Responsible Corporate Citizen.

The CSR Policy of the Company inter-alia indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board and CSR Committee in implementing and monitoring CSR projects of the Company. The CSR Policy is available on the website of the Company.

Board Performance Evaluation Policy

In terms of the provisions of the Companies Act, 2013, the Board adopted a formal mechanism for evaluating its performance and as well as that of its Committees and individual Directors. In order to assist the Board to carry out such evaluation process the Board has adopted a Board Performance Evaluation Policy which defines the process to be followed for performance evaluation of the Board, its Committees and individual Directors. In order to prescribe detailed criteria, manner and process for evaluation of performance of the Board, its Committees and Directors, the Nomination and Remuneration Committee of the Board formulated and adopted the ‘Performance Evaluation Process – Board, Committees and Directors’, which forms an integral part of the Board Performance Evaluation Policy.

The manner in which formal annual evaluation of the Board, its Committees and individual Directors is conducted includes:

- The Independent Directors, at their separate Meeting, review the performance of Non-Independent Directors and the Board as a whole.
- The Nomination and Remuneration Committee evaluates the performance of the Directors on the Board. A feedback on the overall evaluation conducted by the Nomination and Remuneration Committee is communicated to the Board.
- Then, in light of the criteria prescribed in the Board Performance Evaluation Policy, the Board analyses its own performance, that of its Committees and each Director during the year and suggests changes or improvements, if required.

Related Party Transaction Policy

In terms of the provisions of the Companies Act, 2013 and Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking

Company (Reserve Bank) Directions, 2016, the Company has adopted a Related Party Transaction Policy to ensure proper approval and reporting of transactions between the Company and its Related Parties.

The Related Party Transaction Policy inter-alia includes the process and manner of approval of transactions with Related Parties, identification of Related Parties and identification of potential Related Party Transactions. According to the Related

Party Transaction Policy of the Company, any transaction with any Related Parties shall be considered to be appropriate only if it is in the best interest of the Company and its Members. The Related Party Transaction Policy is available on the website of the Company.

The pecuniary relationship(s) / transaction(s) of Non-Executive Directors vis-à-vis the Company during the year under review, include the following:

Non-Executive Director	Transaction	Amount (₹ in Lakh)
Mr. Bobby Parikh	Payment of Sitting Fees for attending Meetings of the Board and its Committee(s)	6.05
	Payment of Commission for the Financial Year 2016-17	9.00
Mr. Ravi Narain	Payment of Sitting Fees for attending Meetings of the Board and its Committee(s)	6.55
	Payment of Commission for the Financial Year 2016-17	9.00
Mr. Eric Stuart Schwartz	Payment of Sitting Fees for attending Meetings of the Board and its Committee(s)	1.00
	Payment of Commission for the Financial Year 2016-17	9.00
Mr. D. Sivanandhan	Payment of Sitting Fees for attending Meetings of the Board and its Committee(s)	6.55
	Payment of Commission for the Financial Year 2016-17	9.00

Code for Independent Directors

In terms of Section 149 and Schedule IV of the Companies Act, 2013, the Company has adopted a code for Independent Directors in order to ensure fulfillment of responsibilities of Independent Directors of the Company in a professional manner.

The Code for Independent Directors aims to promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors and sets out the guidelines of professional conduct of Independent Directors, their roles, functions and duties, the process of performance evaluation etc.

Code of Conduct for Prohibition of Insider Trading and Internal Procedures and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

In terms of Section 195 of the Companies Act, 2013 and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, considering the nature of business activities of the Company, in order to maintain highest standards whilst dealing with the confidential information and unpublished price sensitive information related to the Company and / or its holding company and / or associate company(ies) and / or subsidiary company(ies) or business associates or current and potential client companies and in order to ensure uniform dissemination of unpublished price sensitive information the Company has adopted (i) a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and

(ii) a self-regulated Code of Conduct for Prohibition of Insider Trading and Internal Procedures.

The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information of the Company is available on the website of the Company.

In addition, as a part of its larger good corporate governance initiative, the Board of Directors has also adopted certain other policies and codes.

Code of Conduct for Directors & Employees

The Company has put in place a comprehensive Code of Conduct which is applicable to all the Directors, including Non-Executive and Independent Directors and Employees of the Company to the extent of their role and responsibilities in the Company. The Code provides guidance to the Directors and Employees to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations of India.

Anti-Corruption Policy

To further affirm the Company's zero-tolerance approach towards corruption, to act professionally with integrity in all its business dealings and relationships wherever it operates and to conduct its business in an honest and ethical manner by preventing / countering corruption within the organization, the Board of Directors of the Company adopted Anti-Corruption Policy of the Company.

The Anti-Corruption Policy inter-alia aims to prohibit the Company's personnel, and any other entity or person acting for or on behalf of the Company from offering, providing or receiving prohibited gratuities, bribes, gifts, entertainment, facilitating payments, or anything of value to or for the benefit of a government official or any other person contrary to anti-corruption laws or engaging in activities or transactions with sanctioned or blacklisted countries or individual parties contrary to applicable laws or engaging in any corrupt, fraudulent, coercive or collusive practice.

The Anti-Corruption Policy is available on the website of the Company.

Compliance Process

Your Company believes that an effective compliance process is an important element of the corporate governance structure in any organisation. In order to promote a culture of valuing compliance, your Company has adopted a Compliance Process which demonstrates in clear terms the commitment of the Company to the high standards of ethics and approach towards compliance with the laws, industry practices and internal policies / processes/ codes of the Company, which impact its functioning.

Media Communication Policy

The Company's Media Communication Policy encompasses the organisation structure, systems and procedures to manage communications with external audiences in a co-ordinated way via appointed spokespeople to ensure that external communication is consistent and aligned with the policies and needs of the Company.

Record Retention Policy

In order to facilitate operations by promoting efficiency in record keeping, eliminating accidental destruction of valuable records and in compliance with various laws applicable in this regard, the Company has adopted a Record Retention Policy.

The Record Retention Policy provides for the systematic review, retention, and destruction of records and documents received or created by the Company.

Care and Dignity Policy

Consistent with our core values, the Company is committed to creating an environment in which all individuals are treated with respect and dignity and promote a gender sensitive safe work environment. The Company has zero tolerance to any form of sexual discrimination and / or harassment and hence has adopted a Care and Dignity Policy to ensure that its employees are not subjected to any form of discrimination and / or sexual harassment.

INDEPENDENT AUDITOR'S REPORT

To
The Members of INDOSTAR CAPITAL FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying standalone financial statements of IndoStar Capital Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, 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.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. 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.

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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view 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 the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone 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 of the state of affairs of the Company as at March 31, 2017, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except as given in paragraph (iv) below;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (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 aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on

record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;

- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The Company has provided disclosures in Note 35 in the financial statements as to the holding of Specified Bank Notes on November 8, 2016 and

December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 9, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding to the holding and nature of cash transactions, including those in Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the management. However, as stated in note 35 in the financial statements, the borrowers of the Company have directly deposited cash in the Company's bank accounts and we report that we were not made available sufficient appropriate audit evidence regarding denomination wise details of such deposits, details of which, as represented to us, are not available with the Company.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jayesh Gandhi**

Partner

Membership Number: 037924

Place of Signature: Mumbai

Date: May 12, 2017

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE

Re: IndoStar Capital Finance Limited(‘the Company’)

- sales-tax, duty of custom, duty of excise, value added tax are not applicable to the Company.
- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
 - (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the company.
 - (ii) The Company’s business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
 - (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
 - (iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the company.
 - (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
 - (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.
 - (vii) (a) Undisputed statutory dues including provident fund, income-tax, service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. The provisions relating to employees’ state insurance,
 - (vii) (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees’ state insurance, sales-tax, duty of customs, duty of excise and value added tax are not applicable to the Company.
 - (vii) (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.
 - (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government
 - (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of debt instruments in the nature of debentures, commercial papers and term loans for the purposes for which they were raised.
 - (x) We have been informed that one borrower of the Company has committed fraud amounting to ₹ 208.76 lakhs during the year under audit. Investigations are in progress and police complaint has been lodged against the borrower and an amount of ₹ 41.08 lakhs have been recovered from the borrower.
 - (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
 - (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
 - (xiii) According to the information and explanations given by the management, transactions with the related parties are

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE

in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment or private placement of shares/fully or partly convertible debentures during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jayesh Gandhi**

Partner

Membership Number: 037924

Place of Signature: Mumbai

Date: May 12, 2017

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF INDOSTAR CAPITAL FINANCE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To

The Members of INDOSTAR CAPITAL FINANCE LIMITED

We have audited the internal financial controls over financial reporting of IndoStar Capital Finance Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to

obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF INDOSTAR CAPITAL FINANCE LIMITED

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria

established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jayesh Gandhi**

Partner

Membership Number: 037924

Place of Signature: Mumbai

Date: May 12, 2017

BALANCE SHEET

as at March 31, 2017

(Amount in ₹)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016
I. Equity and Liabilities			
(1) Shareholders' funds			
(a) Share capital	3	783,617,990	733,544,290
(b) Reserves and surplus	4	18,220,537,844	14,678,668,200
		19,004,155,834	15,412,212,490
(2) Non-current liabilities			
(a) Long-term borrowings	5	19,106,120,313	17,588,658,160
(b) Other Long term liabilities	6	72,370,201	102,678,687
(c) Long term provisions	7	269,481,205	146,139,655
		19,447,971,719	17,837,476,502
(3) Current liabilities			
(a) Short-term borrowings	8	7,865,505,788	4,994,161,851
(b) Trade payables (Refer note 28)		34,529,211	30,544,690
(c) Other current liabilities	6	8,344,023,688	8,591,118,280
(d) Short-term provisions	7	157,459,179	57,219,983
		16,401,517,866	13,673,044,804
TOTAL		54,853,645,419	46,922,733,796
II. Assets			
(1) Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		69,167,569	30,128,421
(ii) Intangible assets		18,792,388	2,875,903
(iii) Capital work in progress		-	4,425,799
(b) Non-current investments	10	730,411,205	100,100,000
(c) Deferred tax assets (net)	11	163,654,547	103,024,270
(d) Long term loans and advances	12	39,317,862,734	30,977,153,429
		40,299,888,443	31,217,707,822
(2) Current assets			
(a) Cash and bank balances	14	544,234,974	3,495,918,478
(b) Current investments	15	1,239,371,782	-
(c) Short-term loans and advances	12	12,262,354,541	11,853,129,179
(d) Other current assets	13	507,795,679	355,978,317
		14,553,756,976	15,705,025,974
TOTAL		54,853,645,419	46,922,733,796

Significant Accounting Policies

2.1

The notes referred to above form an integral part of the financial statements.

As per our report of even date

For **S R Batliboi & Co LLP**

ICAI Firm Registration No. 301003E/E300005

Chartered Accountants

per **Jayesh Gandhi**

Partner

Membership No. 37924

For and on behalf of the Board of Directors of

IndoStar Capital Finance Limited

R. Sridhar

Executive Vice-Chairman & CEO

DIN: 00136697

Pankaj Thapar

Chief Financial Officer

Dhanpal Jhaveri

Director

DIN: 02018124

Jitendra Bhati

Company Secretary

Place: Mumbai

Date: May 12, 2017

Place: Mumbai

Date: May 12, 2017

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2017

(Amount in ₹)

Particulars	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
Income			
Revenue from operations	16	7,148,017,778	6,413,245,001
Other income	17	7,402,030	539,128
TOTAL		7,155,419,808	6,413,784,129
Expenditure			
Employee benefit expenses	18	477,886,682	394,501,996
Finance cost	19	3,118,494,881	2,892,590,633
Depreciation and amortisation	9	18,743,305	5,116,291
Other expenses	20	212,764,090	164,751,080
Provisions for standard assets and NPA	21	123,280,817	33,818,664
TOTAL		3,951,169,775	3,490,778,664
Profit before taxation		3,204,250,033	2,923,005,465
Provision for taxation			
Current tax		1,174,502,169	1,030,702,387
Deferred tax		(60,630,277)	(17,852,461)
Total tax expense		1,113,871,892	1,012,849,926
Net profit after taxes		2,090,378,141	1,910,155,539
Earnings per share	22		
Basic (₹)		28.45	26.66
Diluted (₹)		26.09	26.33
Nominal value of equity share (₹)		10	10

Significant Accounting Policies 2.1
The notes referred to above form an integral part of the financial statements.

As per our report of even date

For **S R Batliboi & Co LLP**
ICAI Firm Registration No. 301003E/E300005
Chartered Accountants

per **Jayesh Gandhi**
Partner
Membership No. 37924

Place: Mumbai
Date: May 12, 2017

For and on behalf of the Board of Directors of
IndoStar Capital Finance Limited

R. Sridhar
Executive Vice-Chairman & CEO
DIN: 00136697

Pankaj Thapar
Chief Financial Officer

Place: Mumbai
Date: May 12, 2017

Dhanpal Jhaveri
Director
DIN: 02018124

Jitendra Bhati
Company Secretary

CASH FLOW STATEMENT

for the year ended March 31, 2017

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
A. Cash flow from operating activities		
Profit before taxes	3,204,250,033	2,923,005,465
Depreciation and amortisation	18,743,305	5,116,291
Loss / (profit) on sale of fixed assets (net)	85,501	21,409
Provisions for non performing assets	87,824,670	615,025
Provisions for standard assets	35,456,147	33,203,639
Provision for gratuity	2,129,200	840,733
Provision for leave encashment	1,125,008	752,547
Operating profit before working capital changes	3,349,613,864	2,963,555,109
Movements in working capital:		
Increase / (decrease) in trade payables	3,984,521	11,245,566
Increase / (decrease) in other liabilities	(277,403,078)	1,403,774,264
('Increase) / Decrease in loans and advances	(8,749,939,017)	(8,909,222,034)
('Increase) / Decrease in other assets	(151,817,362)	143,577,345
Cash generated from operations	(5,825,561,072)	(4,387,069,750)
Direct taxes paid (net of refunds)	(1,077,456,444)	(1,040,172,526)
Net cash flow from / used in operating activities (A)	(6,903,017,516)	(5,427,242,276)
B. Cash flows from investing activities		
Purchase of fixed including intangible assets	(69,424,823)	(29,432,753)
Increase in Capital work in progress	-	(4,425,799)
Proceeds from sale of fixed assets	70,529	2,359
Investment in subsidiary	-	(100,000,000)
Investment in Preference Shares	(39,975,250)	-
Investment in Pass through certificates	(909,091,390)	-
Repayments from fixed income debt instruments	-	546,000,000
Investments in Mutual Fund units	(920,616,347)	-
Bank deposits (having original maturity of more than three months)(net)	-	2,655,000,000
Net cash used in investing activities (B)	(1,939,037,281)	3,067,143,807
C. Cash Flows from financing activities		
Proceeds from issue of Equity Share Capital	50,073,700	49,893,893
Proceeds from Securities Premium on issue of Equity Share Capital	1,451,491,503	599,452,845
Forfeiture of Equity Shares	-	43,038
Amount raised from short term borrowings	2,871,343,937	1,554,946,026
Term loans from banks	218,442,472	23,441,979
Amount received on issue of NCDs	1,299,019,681	1,426,858,584
Net cash from financing activities (C)	5,890,371,293	3,654,636,365
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(2,951,683,504)	1,294,537,896
Cash and Cash Equivalents at the beginning of the year	3,415,918,478	2,121,380,582
Cash and Cash Equivalents at the end of the year	464,234,974	3,415,918,478

CASH FLOW STATEMENT

for the year ended March 31, 2017

Components of Cash and Cash Equivalents	For the year ended March 31, 2017	For the year ended March 31, 2016
Cash and Cash Equivalents at the end of the year		
i) Cheque on hand	-	416,569
ii) Cash on hand	24,586	50,540
ii) Balances with scheduled banks in:		
Current accounts	464,210,388	939,951,369
Deposits with original maturity of less than three months	-	2,475,500,000
Total cash and cash equivalents	464,234,974	3,415,918,478

As per our report of even date

For **S R Batliboi & Co LLP**

ICAI Firm Registration No. 301003E/E300005

Chartered Accountants

per **Jayesh Gandhi**

Partner

Membership No. 37924

Place: Mumbai

Date: May 12, 2017

For and on behalf of the Board of Directors of

IndoStar Capital Finance Limited

R. Sridhar

Executive Vice-Chairman & CEO

DIN: 00136697

Pankaj Thapar

Chief Financial Officer

Place: Mumbai

Date: May 12, 2017

Dhanpal Jhaveri

Director

DIN: 02018124

Jitendra Bhati

Company Secretary

NOTES

forming part of the financial statements for the year ended March 31, 2017

1. Corporate Information

IndoStar Capital Finance Limited ('the Company') was incorporated on 21st July 2009. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company vide Certificate No. N-13.02109. The Company is primarily engaged in Lending business.

2. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspects of the Accounting Standards (AS) notified under Section 133 of the Companies Act 2013 ('the Act'), read together with paragraph 7 of the Companies (Accounts) Rules 2014 and the directions issued by Reserve Bank of India (RBI) as applicable to Non Banking Finance Company (NBFC). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2.1 Significant Accounting Policies

(a) Presentation and disclosure of financial statements

The Company has classified all its assets / liabilities into current / non-current portion based on the time frame of twelve months from the date of financial statements. Accordingly, assets / liabilities expected to be realised / settled within twelve months from the date of financial statements are classified as current and other assets / liabilities are classified as non current.

(b) Use of estimates

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

(c) Tangible/Intangible Fixed Assets, Depreciation/Amortisation and Impairment

Tangible Fixed Assets

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

Depreciation on tangible fixed assets

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life of the respective fixed assets and are greater than or equal to the corresponding useful life prescribed in Schedule II of the Act. The estimated useful life used are as follows:

Particulars	Estimated useful life by the Company	Useful life as prescribed by Schedule II of the Companies Act, 2013
Furniture and Fixtures	5 Years	10 Years
Office Equipments	5 Years	5 Years
Office Equipments - Mobiles	2 Years	5 Years
Computers	3 Years	3 Years
Servers and networks	5 Years	6 Years

Useful life of assets different from prescribed in Schedule II has been estimated by management and supported by technical assessment.

Leasehold improvement is amortised on Straight Line Method over the lease term.

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

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forming part of the financial statements for the year ended March 31, 2017

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

Intangible assets

Costs relating to acquisition and development of computer software are capitalized in accordance with the AS 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India ('ICAI') and are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(d) Investments

Investments intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. Commercial papers are valued at carrying cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value. On disposal of an investment, the difference between its carrying amount and net disposal

proceeds is charged or credited to the statement of profit and loss.

(e) Provisioning / Write-off of assets

Non performing loans are written off / provided as per the minimum provision required under the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016 ('RBI Master Directions, 2016'). Pursuant to the RBI Master Directions, 2016, the Company has revised its recognition norms of Non- Performing Assets (NPA) from 150 days to 120 days.

Provision on standard assets is made as per management estimates and is more than as specified in the RBI Master Directions, 2016.

(f) Loans

Loans are stated at the amount advanced and expenses recoverable, as reduced by the amounts received up to the balance sheet date.

(g) Leases

Where the Company is the lessee

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

(h) Foreign currency translation

Initial recognition

Transactions in foreign currency entered into during the year are recorded at the exchange rates prevailing on the date of the transaction.

Conversion

Monetary assets and liabilities denominated in foreign currency are translated in to Rupees at exchange rate prevailing on the date of the Balance Sheet.

Exchange differences

All exchange differences are dealt with in the Statement of profit and loss account.

(i) Revenue recognition

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

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forming part of the financial statements for the year ended March 31, 2017

- i. Income from financing and investing activities is recognised on accrual basis, except in case of income on non-performing assets, which is recognised on receipt basis.
- ii. Interest income on fixed income debt instruments such as certificate of deposits, non-convertible debentures and commercial papers are recognised on a time proportion basis taking into account the amount outstanding and the effective rate applicable. Discount, if any, is recognised on a time proportion basis over the tenure of the securities.
- iii. Interest income on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iv. Interest income on loan portfolio buyout is recognised on accrual basis at the agreed rate of interest on the diminishing balance of outstanding loan.
- v. Dividend is recognised as income when right to receive payment is established.
- vi. Profit/loss on the sale of investments is determined on the basis of the weighted average cost method.
- vii. Origination fees is recognised as income on signing of the binding term sheet by the client. Part of the origination fees is recognised upfront based on the management estimate and the balance fee is amortised over the tenure of the loan.
- viii. Syndication fee and other fees are recognised as income when a significant portion of the arrangement is completed.

(j) Retirement and other employee benefits

Provident Fund

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

Gratuity

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

Leave Encashment

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

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

(k) Income tax

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

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forming part of the financial statements for the year ended March 31, 2017

(l) Segment reporting

The Company is engaged in loan / financing activities. It operates in a single business and geographical segment.

(m) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(n) Provisions

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

(o) Cash and cash equivalents

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

(p) Borrowing costs

Borrowing cost includes interest and are charged to the Statement of Profit & Loss in the year in which they are incurred. Ancillary and other borrowing costs are amortised over the tenure of the underlying loan on straight line basis.

(q) Employee stock compensation costs

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities And Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

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forming part of the financial statements for the year ended March 31, 2017

Note 3 - Share capital

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Authorised		
90,000,000 (March 31, 2016: 80,000,000) Equity Shares of ₹ 10/- each	900,000,000	800,000,000
	900,000,000	800,000,000
Issued & Subscribed		
Equity Shares		
78,361,799 (March 31, 2016: 73,354,429) Equity shares of ₹ 10/- each fully paid up	783,617,990	733,544,290
Total	783,617,990	733,544,290

a. Reconciliation of the equity shares outstanding at the beginning and at end of reporting period.

Particulars	As at March 31, 2017		As at March 31, 2016	
	Numbers of shares	Amount in ₹	Numbers of shares	Amount in ₹
Shares outstanding at the beginning of the year	73,354,429	733,544,290	77,658,197	686,289,853
Issued during the year	5,007,370	50,073,700	-	-
	78,361,799	783,617,990	77,658,197	686,289,853
Add: call money received on 4,734,482 partly paid shares @ 9.99 per share	-	-	-	47,297,475
Less: 4,303,768 shares ₹ 0.01 paid up per share forfeited on non- payment of call money	-	-	(4,303,768)	(43,038)
Shares outstanding at the end of the year	78,361,799	783,617,990	73,354,429	733,544,290

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

c. Details of shareholders holding more than 5% shares in the Company

Name of the shareholders	As at March 31, 2017		As at March 31, 2016	
	Numbers of shares	% holding in the class	Numbers of shares	% holding in the class
Equity shares of ₹ 10/- each				
IndoStar Capital (Mauritius) (Holding Company)	71,102,635	90.74	71,369,635	97.30

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

d. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 24.

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 4 - Reserves and Surplus

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Securities Premium Account		
Balance as per last account	8,795,266,108	8,227,128,268
Add: Received during the period	1,451,491,503	568,137,840
(Less) / Add : Premium on equity shares issued to employees through IndoStar Trust or held by IndoStar Trust	-	-
Closing balance	10,246,757,611	8,795,266,108
Other Reserves		
Statutory reserve pursuant to Section 45-IC of The RBI Act, 1934		
Balance as per last account	1,191,045,902	809,014,794
Add: Transfer from surplus balance in statement of profit and loss	418,075,628	382,031,108
Closing balance	1,609,121,530	1,191,045,902
Capital Reserve (4,303,768 shares ₹ 0.01 paid up per share forfeited on non-payment of call money and amount received transferred)	43,038	43,038
Closing balance	43,038	43,038
Surplus in Statement of profit and loss		
Balance as per last account	4,692,313,152	3,164,188,721
Add: Profit for the current year	2,090,378,141	1,910,155,539
Less: Appropriations		
Transfer to statutory reserve as per Section 45-IC of The RBI Act, 1934	(418,075,628)	(382,031,108)
Net surplus in the statement of profit and loss	6,364,615,665	4,692,313,152
Total	18,220,537,844	14,678,668,200

Note 5 - Long term borrowings

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non Current portion	Current maturities*	Non Current portion	Current maturities*
Term loans from banks				
Secured	9,814,936,127	4,839,044,441	9,596,493,655	4,925,719,985
Redeemable non convertible debentures				
Secured	9,291,184,186	1,922,273,237	7,992,164,505	2,500,000,000
Less: transferred to Other liabilities	-	(6,761,317,678)	-	(7,425,719,985)
Total	19,106,120,313	-	17,588,658,160	-

*Amount disclosed under the head 'Other liabilities'

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forming part of the financial statements for the year ended March 31, 2017

(a) Term loan from banks:

Particulars - Bank Name	Rate of interest	Repayment details	As at March 31, 2017		As at March 31, 2016	
			Non-Current portion	Current Maturities	Non-Current portion	Current Maturities
Axis Bank Limited- TL II	>=8.75%<10.75%	13-Quarterly repayments	-	-	153,846,154	307,692,308
Axis Bank Limited - TL III	>=8.75%<10.75%	13-Quarterly repayments	-	-	246,153,846	123,076,924
Bank of Baroda Limited	>=8.75%<10.75%	16-Quarterly repayments	-	250,000,000	250,000,000	250,000,000
Bank of Baroda Limited - TL II	>=8.75%<10.75%	20-Quarterly repayments	300,000,000	200,000,000	500,000,000	200,000,000
Bank of India Limited	>=8.75%<10.75%	16-Quarterly repayments	-	375,000,000	375,000,000	375,000,000
Canara Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	333,600,000
Canara Bank Limited - TL II	>=8.75%<10.75%	8 - Half yearly repayments	437,500,000	62,500,000	-	-
Corporation Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	50,000,000
Corporation Bank Limited - TL II	>=8.75%<10.75%	9 - Half yearly repayments	133,333,335	66,666,666	200,000,001	66,666,666
Dena Bank	>=8.75%<10.75%	8 - Half yearly repayments	375,000,000	125,000,000	150,000,000	-
Dena Bank - TL II	>=8.75%<10.75%	8 - Half yearly repayments	437,500,000	62,500,000	-	-
Federal Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	83,333,332
Federal Bank Limited - TL II	>=8.75%<10.75%	12-Quarterly repayments	-	-	24,996,668	33,333,332
Federal Bank Limited - TL III	>=8.75%<10.75%	12-Quarterly repayments	333,333,332	266,666,668	-	-
ICICI Bank Limited - II	>=8.75%<10.75%	10-Quarterly repayments	-	300,000,000	300,000,000	400,000,000
IDBI Bank Limited	>=8.75%<10.75%	18 - Quarterly repayments	249,999,998	111,111,112	361,111,110	111,111,112
IDBI Bank Limited - II	>=8.75%<10.75%	16-Quarterly repayments	437,500,000	62,500,000	-	-
Indian Overseas Bank Limited	>=8.75%<10.75%	18-Quarterly repayments	222,222,221	222,222,223	444,444,444	222,222,223
IndusInd Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	75,000,000
IndusInd Bank Limited - TL II	>=8.75%<10.75%	10-Quarterly repayments	-	-	30,000,000	120,000,000
ING Vysya Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	41,666,667
ING Vysya Bank Limited - TL III	>=8.75%<10.75%	20-Quarterly repayments	375,000,000	200,000,000	575,000,000	200,000,000
Indian Bank	>=8.75%<10.75%	8 - Half yearly repayments	250,000,000	-	-	-
Kotak Mahindra Bank Limited- TL II	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	83,333,334
Kotak Mahindra Bank Limited - TL III	>=8.75%<10.75%	16-Quarterly repayments	187,500,000	250,000,000	437,500,000	250,000,000
Kotak Mahindra Bank Limited - TL IV	>=8.75%<10.75%	16-Quarterly repayments	562,500,000	250,000,000	-	-
Punjab National Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	133,336,924
Punjab National Bank - II	>=8.75%<10.75%	16-Quarterly repayments	343,750,000	137,500,000	481,250,000	68,750,000
SIDBI	>=8.75%<10.75%	20-Quarterly repayments	1,200,000,000	300,000,000	-	-
South Indian Bank Limited	>=8.75%<10.75%	18-Quarterly repayments	111,111,120	55,555,552	166,666,672	55,555,552
South Indian Bank - II	>=8.75%<10.75%	16-Quarterly repayments	171,875,000	62,500,000	234,375,000	15,625,000
State Bank of Bikaner and Jaipur Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	16,425	166,666,667
State Bank of Bikaner and Jaipur Limited - II	>=8.75%<10.75%	8 - Half yearly repayments	562,500,000	187,500,000	750,000,000	-
State Bank of Hyderabad Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	83,333,279
State Bank of Hyderabad Limited - II	>=8.75%<10.75%	18-Quarterly repayments	611,111,121	222,222,220	833,333,335	166,666,665
State Bank of Hyderabad Limited - III	>=8.75%<10.75%	8 - Half yearly repayments	375,000,000	125,000,000	-	-
State Bank of India Limited - TL II	>=8.75%<10.75%	18-Quarterly repayments	999,900,000	444,400,000	1,444,300,000	444,400,000
State Bank of Mysore Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	20,650,000
State Bank of Mysore Limited - TL II	>=8.75%<10.75%	9 - Half yearly repayments	249,900,000	166,600,000	416,500,000	166,700,000
State Bank of Mysore Limited - TL III	>=8.75%<10.75%	9 - Half yearly repayments	333,200,000	111,200,000	444,400,000	55,600,000
State Bank of Patiala - II	>=8.75%<10.75%	9 - Half yearly repayments	555,200,000	222,400,000	777,600,000	222,400,000
Total			9,814,936,127	4,839,044,441	9,596,493,655	4,925,719,985

Nature of Security:

First pari-passu (with banks and financial institutions providing credit facilities to the Issuer) charge by way of hypothecation on the standard asset portfolio of receivable of ₹ 25,302,507,900/- (March 2016 ₹ 23,144,053,552/-)

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forming part of the financial statements for the year ended March 31, 2017

b) Non Convertible Debenture

Privately placed Redeemable Non Convertible Debentures of ₹ 10,00,000/- each

Terms of repayment as on March 31, 2017

Redeemable within	As at March 31, 2017		As at March 31, 2016	
	Rate of interest		Rate of interest	
	≥ 0% < 11.55%		≥ 0% < 12.25%	
	Non-Current portion	Current Maturities	Non-Current portion	Current Maturities
0-12 Months	-	1,922,273,237	-	2,500,000,000
12-24 Months	4,071,676,465	-	1,760,836,605	-
24-36 Months	3,569,507,721	-	3,731,327,900	-
36-48 Months	1,000,000,000	-	1,350,000,000	-
48-60 Months	500,000,000	-	1,000,000,000	-
Above 60 Months	150,000,000	-	150,000,000	-
Total	9,291,184,186	1,922,273,237	7,992,164,505	2,500,000,000

Nature of Security:

- Security is created in favour of the Debenture Trustee, as follows:
 - first pari-passu (with banks and financial institutions providing credit facilities to the Issuer) charge on by way of hypothecation on the standard asset portfolio of receivables of ₹ 11,932,020,000/- (March 2016: ₹ 11,654,260,000); and
 - first pari-passu charge on immovable property situated at village Maharajpura of Kadi taluka, Mehsana district, Gujarat
- Debentures may be bought back subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the Company.

Note 6 - Other liabilities

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-Current	Current	Non-Current	Current
Unamortised fees	72,370,201	48,048,029	102,678,687	76,040,637
Interest accrued but not due on loans	-	761,503,118	-	741,757,195
Current maturities of long term debts (Refer note 5)	-	6,761,317,678	-	7,425,719,985
Book Overdraft	-	510,802,280	-	178,111,795
Employee benefits payable	-	168,358,844	-	153,741,500
Other liabilities (includes statutory liabilities)	-	93,993,739	-	15,747,168
Total	72,370,201	8,344,023,688	102,678,687	8,591,118,280

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forming part of the financial statements for the year ended March 31, 2017

Note 7 - Provisions

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-Current	Current	Non-Current	Current
For employee benefit				
For gratuity	2,225,327	1,748,794	414,975	1,429,946
For leave encashment and availment	3,337,515	677,862	2,589,610	300,759
For Others				
For non-performing assets	107,824,670	-	20,000,000	-
For standard assets	156,093,693	50,968,235	123,135,070	48,470,711
For income tax (net of advance tax)	-	104,064,288	-	7,018,567
Total	269,481,205	157,459,179	146,139,655	57,219,983

Note 8 - Short term borrowing

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Secured Loan		
Bank overdraft	947,472,808	1,088,673,837
Unsecured Loan		
Commercial papers		
i) From banks	500,000,000	500,000,000
ii) Other than banks	6,550,000,000	3,500,000,000
Less: Unamortised discount	(131,967,020)	(94,511,986)
	6,918,032,980	3,905,488,014
Total	7,865,505,788	4,994,161,851

Note 9 - Fixed assets

(Amount in ₹)

Particulars	Tangible Assets						Intangible Assets	Total Assets
	Land - Freehold	Computers	Office Equipment	Furniture and Fixtures	Leasehold Improvement	TOTAL	Software	
Gross Block								
As at March 31, 2015	1,505,100	6,960,258	2,715,296	2,893,178	16,453,451	30,527,283	3,259,044	33,786,327
Additions	-	9,146,201	2,016,017	1,280,518	15,319,058	27,761,794	1,670,959	29,432,753
Deletions	-	-	425,563	139,813	-	565,376	-	565,376
As at March 31, 2016	1,505,100	16,106,459	4,305,750	4,033,883	31,772,509	57,723,701	4,930,003	62,653,704
Additions	-	22,362,356	5,949,401	518,507	19,869,320	48,699,584	25,151,038	73,850,622
Deletions	-	209,487	352,799	-	-	562,286	-	562,286
As at March 31, 2017	1,505,100	38,259,328	9,902,352	4,552,390	51,641,829	105,860,999	30,081,041	135,942,040
Depreciation								
As at March 31, 2015	-	4,455,561	1,523,293	1,766,539	16,453,451	24,198,844	875,853	25,074,697
Additions	-	2,167,348	809,531	611,450	349,715	3,938,044	1,178,247	5,116,291
Deletions	-	-	420,424	121,184	-	541,608	-	541,608
As at March 31, 2016	-	6,622,909	1,912,400	2,256,805	16,803,166	27,595,280	2,054,100	29,649,380
Additions	-	4,325,039	1,263,046	659,214	3,261,453	9,508,752	9,234,553	18,743,305
Deletions	-	109,133	301,469	-	-	410,602	-	410,602
As at March 31, 2017	-	10,838,815	2,873,977	2,916,019	20,064,619	36,693,430	11,288,653	47,982,083
Net Block								
As at March 31, 2017	1,505,100	27,420,513	7,028,375	1,636,371	31,577,210	69,167,569	18,792,388	87,959,957
As at March 31, 2016	1,505,100	9,483,550	2,393,350	1,777,078	14,969,343	30,128,421	2,875,903	33,004,324

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forming part of the financial statements for the year ended March 31, 2017

Note 10 - Non-current investments

(Amount in ₹)

Particulars	As at March 31, 2017			As at March 31, 2016		
	Face value	Quantity	Amount	Face value	Quantity	Amount
Unquoted - Compulsorily Convertible Preference Share						
GC Web Ventures Private Limited	150	862	39,975,250	-	-	-
Non trade (valued at cost unless stated otherwise)						
Investment in wholly owned subsidiaries						
IndoStar Asset Advisory Private Limited (10,000 share of Face value of ₹ 10/- each)	10	10,000	100,000	10	10,000	100,000
IndoStar Home Finance Private Limited (10,000,000 share of Face value of ₹ 10/- each)	10	10,000,000	100,000,000	10	10,000,000	100,000,000
Other Investments						
Pass through certificates - Firefinch CV IFMR Capital 2017	1	590,335,955	590,335,955	-	-	-
TOTAL		600,346,817	730,411,205		10,010,000	100,100,000
Aggregate Value of Quoted Investments						
Cost of acquisition			-			-
Market value			-			-

Note 11 - Deferred tax assets (net)

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Deferred tax asset created during the year		
Fixed asset: Impact of difference between tax depreciation and depreciation / amortization charged for financial reporting period	(1,304,539)	2,946,027
Provision for standard assets	71,659,992	59,389,329
Origination fees unamortised	41,674,341	61,777,148
Provision for gratuity	1,375,364	638,490
Provision for leave encashment	1,389,642	1,000,299
Interest on the NPA Loans not accrued in books	32,073,135	-
Provision for non performing assets	37,315,962	6,921,600
TOTAL (A)	184,183,897	132,672,893
Deferred tax liability created during the year		
Borrowing costs unamortised	(20,529,350)	(29,648,623)
TOTAL (B)	(20,529,350)	(29,648,623)
Net deferred tax asset (A - B)	163,654,547	103,024,270

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 12 - Loans and advances

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non Current portion	Current portion	Non Current portion	Current portion
Unsecured, considered good				
Security Deposits				
Unsecured, considered good	25,507,954	-	19,092,566	-
Secured, considered good				
Hypothecation loans	22,602,778,828	3,156,585,191	17,881,082,511	4,514,488,179
Debentures	14,013,986,170	2,648,894,750	12,902,675,148	1,452,625,594
Short term loans	-	-	-	1,000,000,000
Secured, considered doubtful				
Hypothecation loans	727,335,794	-	100,000,000	-
Unsecured, considered good				
Hypothecation loans	-	750,000,000	-	-
Debentures	1,900,000,000	650,000,000	-	-
Short term loans	-	5,000,000,000	-	4,800,000,000
Unsecured, considered good				
Advances recoverable in cash or in kind or for value to be received	-	13,552,173	-	35,501,169
Prepaid expenses	48,253,988	41,093,305	74,303,204	48,752,271
Service tax (Including Input credit)	-	2,229,122	-	1,761,966
Total	39,317,862,734	12,262,354,541	30,977,153,429	11,853,129,179

Note 13 - Other current assets

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non Current portion	Current portion	Non Current portion	Current portion
Interest accrued but not due on loans	-	506,437,790	-	350,774,068
Interest accrued on fixed deposits with banks	-	1,357,889	-	5,204,249
Total	-	507,795,679	-	355,978,317

Notes 14 - Cash and bank balances

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents		
i) Cash on hand	24,586	50,540
ii) Balances with scheduled banks in:		
Current accounts	464,210,388	939,951,369
Deposits with original maturity of less than three months	-	2,475,500,000
iii) Cheque on hand	-	416,569
Other bank balances		
Deposits with original maturity of more than three months but less than twelve months	80,000,000	80,000,000
Total	544,234,974	3,495,918,478

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Note 15 - Current investments

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Quantity	Amount	Quantity	Amount
Investments in Mutual funds: (At Net Asset Value)				
Kotak Liquid Scheme - Plan A - DDR	752,869.49	920,616,347	-	-
Other Investments				
Pass through certificates - Venus SBL IFMR Capital 2017	318,755,435	318,755,435	-	-
Total		1,239,371,782		-

Note 16 - Revenue from operations

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest income on:		
- Loan portfolio and related charges	6,320,167,059	5,345,095,632
- Deposits with banks	106,964,119	235,233,099
- Investments in PTCs	2,205,963	-
- Fixed income debt instruments	-	62,085,818
Other financial services:		
- Origination fees	673,745,817	681,293,336
- Syndication & other fees	44,555,058	89,537,116
- Gain on sale of loan assets	379,762	-
Total	7,148,017,778	6,413,245,001

Note 17 - Other income

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Dividend income	2,419,511	537,221
Profit on Sale of Investments	3,696,979	-
Miscellaneous income	1,285,540	1,907
Total	7,402,030	539,128

Note 18 - Employee benefit expenses

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries, other allowances and bonus	461,222,559	383,673,813
Gratuity expenses	3,379,200	840,733
Leave encashment	1,601,969	821,401
Contribution to provident and other funds	8,820,780	7,061,065
Staff welfare expenses	2,862,174	2,104,984
Total	477,886,682	394,501,996

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 19 - Finance cost

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest expense on		
Debentures	1,151,145,848	971,108,012
Deposits from clients	-	1,116,386
Loans from banks	1,555,498,046	1,608,701,293
Commercial paper	315,354,966	225,649,689
Other borrowing costs		
Processing charges on loans	44,777,143	50,373,481
Bank charges & other related costs	51,718,878	35,641,772
Total	3,118,494,881	2,892,590,633

Note 20 - Other expenses

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Rent	39,122,235	23,202,144
Rates & taxes	3,853,293	7,071,660
Printing and stationery	1,322,421	1,008,966
Travelling & conveyance	8,427,422	7,448,621
Advertisement	581,613	521,447
Business Promotion	2,601,314	2,453,734
Conference charges	59,146	351,604
Commission & brokerage	48,148,161	27,555,862
Office expenses	22,241,804	20,502,189
Directors' sitting fees	2,156,050	4,878,483
Insurance	2,154,650	1,526,366
Communication expenses	3,590,195	2,140,919
Payment to auditor		
- Audit fees	4,188,233	3,601,306
- Tax audit fees	376,250	321,750
- Certification	537,500	348,563
Loss on sale of loan assets	-	7,895,700
CSR expenses	16,390,052	12,500,000
Legal & professional charges	54,546,838	39,096,152
Loss on sale of fixed assets (net)	85,501	21,409
Membership & subscriptions	2,381,412	2,304,205
Total	212,764,090	164,751,080

Note 21 - Provisions for standard assets and NPA

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Provision for standard assets	35,456,147	33,203,639
Provision for non-performing assets	87,824,670	615,025
Total	123,280,817	33,818,664

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 22 - Earnings per share

(Amount in ₹ except for no. of equity shares)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Net Profit after tax as per Statement of profit and loss (Amount in Rupees) (A)	2,090,378,141	1,910,155,539
Weighted average number of equity shares for calculating Basic EPS (B)	73,481,031	71,641,552
Weighted average number of equity shares for calculating Diluted EPS (C)	80,119,592	72,533,552
Basic earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (B)	28.45	26.66
Diluted earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (C)	26.09	26.33

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Weighted average number of equity shares for calculating Basic EPS	73,481,031	71,641,552
Add: Weighted number of equity shares under options	6,638,561	892,000
Weighted average number of equity shares in calculating Diluted EPS	80,119,592	72,533,552

Note 23 - Gratuity and other post-employment benefit plans:

The Company has an funded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service.

Based on AS 15 'Employee Benefits' notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, the following disclosures have been made as required by the standard:

Profit and loss account

Net employee benefit expense (recognized in employee cost)

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	1,429,946	1,496,619
Interest cost on benefit obligation	389,148	317,318
Expected return on plan assets	(301,012)	(333,616)
Net actuarial (gain) / loss recognised in the year	861,118	(639,588)
Past service cost	-	-
Adjustment in respect of interest not credited in the previous year	-	-
Net benefit expense	2,379,200	840,733

Balance sheet

Details of Provision for gratuity

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Defined benefit obligation	(6,586,932)	(5,187,432)
Fair value of plan assets	2,612,811	3,342,511
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(3,974,121)	(1,844,921)

NOTES

forming part of the financial statements for the year ended March 31, 2017

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

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Opening defined benefit obligation	5,187,432	4,077,761
Interest cost	389,148	317,318
Current service cost	1,429,946	1,496,619
Benefits paid	(1,250,000)	-
Actuarial (gains) / losses on obligation	830,406	(704,266)
Closing defined benefit obligation	6,586,932	5,187,432

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

Particulars	As at March 31, 2017	As at March 31, 2016
Investments with insurer	2,612,811	3,342,511

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

Particulars	As at March 31, 2017	As at March 31, 2016
Discount Rate	7.10%	7.80%
Increase in compensation cost	6.00%	6.00%

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

Amounts for the Current and previous four years are as follows:

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013
Defined benefit obligation	6,586,932	5,187,432	4,077,761	2,277,797	2,019,308
Plan assets	2,612,811	3,342,511	3,073,573	2,015,432	1,415,180
Surplus / (deficit)	(3,974,121)	(1,844,921)	(1,004,188)	(262,365)	(604,128)
Experience adjustments on plan liabilities	539,056	(1,682,888)	26,861	(632,462)	(208,423)
Experience adjustments on plan assets	30,712	64,678	30,626	12,284	49,041

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 24 - Employee stock option plans

The company provides share-based employee benefits to the employees of the Company, the Holding Company or Subsidiary Company working in India or outside India, the Director, whether a whole time Director or otherwise; whether in India or outside India, including the Director of the Company, the Holding Company or a Subsidiary Company, such other entities or individuals as may be permitted by Applicable Laws and any of the aforesaid Employees who are on deputation at the request of the Company and During the year ended 31 March 2017, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

The Board of Directors approved the share based employee benefits i.e. issue of stock options to the key employees and directors of the company under three schemes viz. ESOP Plan 2012, ESOP Plan 2016 and ESOP Plan 2016 II in their Meetings held on 20 June 2012, 11 April 2016 and 21 September 2016 respectively. According to the Schemes, the employee selected by the Nomination and remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years.

Other relevant terms of the grant are as follows	Terms
Vesting period	5 years
Exercise period	4 years from the date of vesting
Expected life	5 years
Market price	NIL

The details of activity under various ESOP Schemes are summarized below:

Particulars	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016-II	ESOP Plan 2016-II	ESOP Plan 2016	ESOP Plan 2016-II
	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V	Tranche VI	Tranche I	Tranche II	Tranche III	Tranche I	Tranche II	Tranche IV	Tranche III
Date of grant	21-Aug-12	18-Feb-13	28-Mar-13	14-Aug-13	23-Apr-14	16-May-16	16-May-16	16-May-16	16-May-16	19-Oct-16	04-Nov-16	22-Mar-17	22-Mar-17
Number of option granted	203,000	100,000	20,000	10,000	666,000	602,254	2,498,036	15,000	25,000	2,370,000	20,000	150,000	367,000
Number of option exercised	3,400	200	-	-	470	-	-	-	-	-	-	-	-
Number of option cancelled	37,700	-	20,000	10,000	38,700	-	287,259	-	-	10,000	-	-	-
Number of option outstanding	161,900	99,800	-	-	626,830	602,254	2,210,777	15,000	25,000	2,360,000	20,000	150,000	367,000
Weighted average remaining contractual life (in years)	3.5	4.0	NA	NA	5.0	3.0	3.0	5.0	3.5	5.0	5.0	5.0	5.0
Weighted average fair value of options granted (₹)	99.63	102.52	91.11	92.16	105.67	82.87	82.87	108.11	90.32	119.65	119.91	139.36	139.36
Weighted Average Exercise Price (₹)	140.00	145.00	145.10	147.24	149.37	225.00	225.00	225.00	225.00	255.00	255.00	300.00	300.00

The range of exercise prices for options outstanding at the end of the year was ₹ 140.00 to ₹ 300.00 (31 March 2016: ₹ 140.00 to ₹ 149.37).

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

Particulars	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016-II	ESOP Plan 2016-II	ESOP Plan 2016	ESOP Plan 2016-II
	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V	Tranche VI	Tranche I	Tranche II	Tranche III	Tranche I	Tranche II	Tranche IV	Tranche III
Dividend yield (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expected volatility	0.5811	0.5765	0.5709	0.5671	0.5733	0.4300	0.4300	0.4200	0.4300	0.4200	0.4200	0.4200	0.4200
Risk-free interest rate	8%	8%	8%	8%	8%	7.39%	7.39%	7.64%	7.44%	6.83%	6.88%	6.96%	6.96%
Weighted average share price (₹)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Exercise price (₹)	140.00	145.00	145.10	147.24	149.37	225.00	225.00	225.00	225.00	255.00	255.00	300.00	300.00
Expected life of options granted in years	4	4	NA	NA	5	3	3	5	4	5	5	5	5

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forming part of the financial statements for the year ended March 31, 2017

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Profit after tax as reported	2,090,378,141	1,910,155,539
Add: ESOP cost using the intrinsic value method	-	-
Less: ESOP cost using the fair value method	166,009,820	43,166,392
Proforma profit after tax	1,924,368,321	1,866,989,147
Earnings Per Share		
Basic		
- As reported	28.45	26.66
- Proforma	26.19	26.06
Diluted		
- As reported	26.09	26.33
- Proforma	24.02	25.73

Note 25 - Related party disclosure

Names of related parties and related party relationships

Holding Company	IndoStar Capital (Mauritius)
Subsidiary Company	IndoStar Asset Advisory Private Limited
	IndoStar Home Finance Private Limited
Key Managerial Personnel	Vimal Bhandari - MD & CEO
	Shailesh Shirali - Wholetime Director

NOTES

forming part of the financial statements for the year ended March 31, 2017

I. Related party with whom transactions have taken place during the year

(Amount in ₹)

Name of related party & nature of relationship	Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Key managerial personnel			
Vimal Bhandari	Investment in share capital	-	6,855,138
	Securities premium	-	82,344,000
	Remuneration paid*	33,463,652	48,487,993
	Expenses reimbursed	691,660	659,267
Shailesh Shirali	Investment in share capital	-	23,053,843
	Securities premium	-	276,923,040
	Remuneration paid*	52,139,372	48,997,036
Subsidiary Company			
IndoStar Asset Advisory Private Limited	Reimbursement of expenses	5,664,378	9,033,390
	Loans and Advances (Net)	21,117,767	11,703,477
IndoStar Home Finance Private Limited	Investment in subsidiary	-	100,000,000

*include bonus on accrual basis

II. Balance as at period end

(Amount in ₹)

Name of related party & nature of relationship	Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Holding Company			
IndoStar Capital (Mauritius)	Investment in share capital	711,026,350	713,696,350
	Securities premium	8,532,316,200	8,564,356,200
Key managerial personnel			
Vimal Bhandari	Investment in share capital	4,314,580	4,314,580
	Securities premium	51,774,960	51,774,960
Shailesh Shirali	Investment in share capital	2,636,150	5,969,150
	Securities premium	31,633,800	71,629,800
Subsidiary Company			
IndoStar Asset Advisory Private Limited	Investment in subsidiary	100,000	100,000
	Reimbursement of expenses	5,664,378	21,117,767
IndoStar Home Finance Private Limited	Investment in subsidiary	100,000,000	100,000,000

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Note 26 - Contingent liabilities and Commitments

(Amount in ₹)		
Capital and other commitments	As at March 31, 2017	As at March 31, 2016
Corporate guarantee given by Company to banks	629,080,000	-
Estimated amount of contracts remaining to be executed on capital account	-	18,347,580
Pending Litigation with Income Tax Authorities	-	255,032
Loans sanctioned not yet disbursed	3,124,404,852	3,392,530,921

Note 27- Leases

In case of assets taken on lease

The Company has taken various office premises under operating lease. The lease payments recognized in the statement of profit & loss are ₹ 38,710,044 (March 31, 2016: ₹ 23,202,144). The non-cancellable operating lease agreements are for a period of 60 months. There are no restrictions imposed by lease arrangements. There are no sub leases.

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

(Amount in ₹)		
Particulars	As at March 31, 2017	As at March 31, 2016
Minimum Lease Payments:		
Not later than one year	52,270,004	34,997,101
Later than one year but not later than five years	169,109,622	141,524,393
Later than five years	-	6,167,535

Note 28 - Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

Based on the intimation received by the Company, some of the suppliers have confirmed to be registered under “The Micro, Small and Medium Enterprises Development (‘MSMED’) Act, 2006”. Accordingly, the disclosures relating to amounts unpaid as at the year ended together with interest paid /payable are furnished below:

(Amount in ₹)		
Particulars	As at March 31, 2017	As at March 31, 2016
The principal amount remaining unpaid to supplier as at the end of the year	-	-
The interest due thereon remaining unpaid to supplier as the end of the year	-	-
The amount of interest paid in terms of Section 16, along with the amount of payment made to the supplier beyond the appointment day during the year	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
The amount of interest accrued during the year and remaining unpaid at the end of the year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

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Note 29 - Capital to Risk Assets Ratio Disclosure

Particulars	As at March 31, 2017	As at March 31, 2016
(i) CRAR (%)	33.8	34.2
(ii) CRAR – Tier I capital (%)	33.4	33.8
(iii) CRAR – Tier II capital (%)	0.4	0.4
(iv) Amount of Subordinated debt raised as Tier - II capital	-	-
(v) Amount raised by issue of perpetual debt instruments	-	-

Note 30- Asset liability management

(Amount in ₹)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Liabilities:								
Borrowings from banks	1,183,572,815	243,750,000	550,694,444	1,345,227,777	2,463,272,220	7,384,866,672	2,430,069,449	-
Market borrowings	1,894,352,447	2,304,421,291	1,237,664,212	2,535,013,181	868,855,068	7,641,184,203	1,500,000,000	150,000,000
Assets:								
Loans & advances	1,713,168,625	45,960,116	3,155,034,768	2,393,249,859	4,581,830,875	24,612,587,674	7,114,107,212	7,833,641,604
Investments	1,007,188,986	73,029,015	77,307,545	227,486,304	269,183,930	175,495,610	-	140,091,597

Note 31 - Exposure to real estate sector

(Amount in ₹)

Category	As at March 31, 2017	As at March 31, 2016
A Direct exposure		
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 ₹ 15 lakhs may be shown separately)	4,356,567,443	2,195,554,110
ii. Commercial Real Estate		
Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	20,710,404,494	17,201,092,761
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures	Nil	Nil
- Residential	Nil	Nil
- Commercial Real Estate	Nil	Nil
B Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 32 - Exposure to capital market

		(Amount in ₹)	
		As at March 31, 2017	As at March 31, 2016
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
2	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	1,800,000,000	2,350,000,000
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
6	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
7	Bridge loans to companies against expected equity flows / issues;	-	-
8	All exposures to Venture Capital Funds (both registered and unregistered)	-	-

Note 33 - Other Disclosures Pursuant to the RBI Master Directions, 2016

I - Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

		(Amount in ₹)	
		As at March 31, 2017	As at March 31, 2016
1	Provisions for depreciation on Investment	-	-
2	Provision towards NPA	87,824,670	615,025
3	Provision made towards Income tax	1,174,502,169	1,030,702,387
4	Other Provision and Contingencies	-	-
5	Provision for Standard Assets	35,456,147	33,203,639

II - Concentration of Advances

		(Amount in ₹)	
		As at March 31, 2017	As at March 31, 2016
1	Total Advances to twenty largest borrowers	31,090,293,457	26,157,776,339
2	Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	60.4%	61.3%

NOTES

forming part of the financial statements for the year ended March 31, 2017

III - Concentration of Exposures

(Amount in ₹)

		As at March 31, 2017	As at March 31, 2016
1	Total Exposure to twenty largest borrowers /customers	35,825,122,699	31,029,731,437
2	Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	63.6%	65.3%

IV - Concentration of NPAs

(Amount in ₹)

		As at March 31, 2017	As at March 31, 2016
1	Total Exposure to top four NPA accounts	727,335,794	100,000,000

V - Sectorwise NPA (% of NPA to Total Advances in that sector)

		As at March 31, 2017	As at March 31, 2016
1	Agriculture and allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	1.5%	0.6%
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans	-	-
7	Other personal loans	-	-

VI - Movement of NPAs

(Amount in ₹)

		As at March 31, 2017	As at March 31, 2016
	Net NPAs to Net Advances (%)	1.2%	0.2%
	Movement of NPAs (Gross)		
	Opening balance	100,000,000	193,849,747
	Additions during the year	627,335,794	80,000,000
	Reductions during the year	-	173,849,747
	Closing balance	727,335,794	100,000,000
	Movement of Net NPAs		
	Opening balance	80,000,000	174,464,772
	Additions during the year	539,511,124	72,000,000
	Reductions during the year	-	166,464,772
	Closing balance	619,511,124	80,000,000
	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	20,000,000	19,384,975
	Provisions made during the year	87,824,670	27,384,975
	Write-off / write-back of excess provisions	-	26,769,950
	Closing balance	107,824,670	20,000,000

NOTES

forming part of the financial statements for the year ended March 31, 2017

VII - Customer Complaints

		As at March 31, 2017
1	No. of complaints pending at the beginning of the year	NIL
2	No. of complaints received during the year	13
3	No. of complaints redressed during the year	13
4	No. of complaints pending at the end of the year	NIL

VIII - Investments

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
1 Value of Investments		
i. Gross Value of Investments		
(a) In India	1,969,782,987	100,100,000
(b) Outside India	-	-
ii. Provision for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
iii. Net Value of Investments		
(a) In India	1,969,782,987	100,100,000
(b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off/ write-back of excess provision during the year	-	-
(iv) Closing balance	-	-

IX Registration obtained from other financial sector regulators : None

X Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by NBFC

The Company has not exceeded the Single Borrower Limit (SBL) / Group Borrower Limit (GBL) during the financial year.

X Details of financing of parent company products : None

XI Disclosure of penalties imposed by RBI and other regulators : None

XII Draw down from reserves : None

XIII Rating assigned by credit rating agencies and migration of ratings during the year

Sr. No.	Instrument	Credit Rating Agency	As at March 31, 2017	As at March 31, 2016
1	Commercial Paper	CARE	A1+	A1+
		ICRA	A1+	A1+
		CRISIL	A1+	A1+
2	Long Term Facilities	CARE	AA-	AA-
		INDIA RATINGS	AA-	AA-

XIV Unsecured Advances against intangible securities : None

NOTES

forming part of the financial statements for the year ended March 31, 2017

Note 34 - Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

(Amount in Crores)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on March 31, 2017		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity/ invocation of pledge of equity shares is pending		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity/ invocation of pledge of equity shares has taken place		Amount outstanding as on March 31, 2017 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
1	107.80	-	-	-	-	-	107.80	-

Note 35 - Disclosures Pursuant to the MCA Notification dated March 30, 2017

Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016 as provided in the Table below:-

(Amount in ₹)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	-	244	244
(+) Permitted receipts	-	321,836	321,836
(-) Permitted payments	-	(316,467)	(316,467)
(-) Amount deposited in Banks	-	-	-
Closing cash in hand as on 30.12.2016	-	5,613	5,613

In the ordinary course of business, the loan borrowers of the Company have directly deposited cash amounting to ₹ 14,35,420 as part of their loan repayments in the collection bank accounts of the Company during the period from November 9, 2016 to December 30, 2016. The denomination wise details of which are currently not available with the Company. Accordingly, this amount has not been included in the table above.

Note 36 - Previous years comparative

Previous year / periods figures have been regrouped / rearranged, wherever considered necessary, to conform with Current year / periods presentation.

As per our report of even date

For **S R Batliboi & Co LLP**

ICAI Firm Registration No. 301003E/E300005
Chartered Accountants

per **Jayesh Gandhi**

Partner

Membership No. 37924

Place: Mumbai

Date: May 12, 2017

For and on behalf of the Board of Directors of

IndoStar Capital Finance Limited

R. Sridhar

Executive Vice-Chairman & CEO

DIN: 00136697

Pankaj Thapar

Chief Financial Officer

Place: Mumbai

Date: May 12, 2017

Dhanpal Jhaveri

Director

DIN: 02018124

Jitendra Bhati

Company Secretary

NOTES

forming part of the financial statements for the year ended March 31, 2017

Disclosure of details as required by Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

(Amount in ₹)

Particulars		As at March 31, 2017	
		Amount outstanding	Amount overdue
	Liabilities side :		
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
	(a) Debenture : Secured	11,213,457,423	
	: Unsecured		-
	(b) Deferred Credits	-	
	(c) Term Loans	14,653,980,568	-
	(d) Inter-corporate loans and borrowing	-	-
	(e) Commercial Paper	6,918,032,980	-
	(f) Public Deposits (Refer Note 1 below)	-	-
	(g) Other Loans	947,472,808	-
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	Amount outstanding	Amount overdue
	(a) In the form of Unsecured debentures	-	-
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
	(c) Other public deposits	-	-
			Amount outstanding
	Assets side :		
(3)	Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
	(a) Secured		43,149,580,733
	(b) Unsecured		8,300,000,000
(4)	Break-up of Leased Assets and stock on hire counting towards AFC activities		Amount outstanding
	(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 loans counting towards AFC Activities :		-
	(a) Loans where assets have been repossessed		-
	(b) Loans other than (a) above		-
(5)	Break-up of Investments :		
	Current Investments :		
	1. Quoted :		
	(i) Shares: (a) Equity		-
	(b) Preference		-
	(ii) Debenture 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		920,616,347
	(iv) Government Securities		-
	(v) Others: Pass through certificates		318,755,435
	Long Term investments :		

NOTES

forming part of the financial statements for the year ended March 31, 2017

	Amount outstanding
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	100,100,000
(b) Preference	39,975,250
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others: Pass through certificates	590,335,955

(6) Borrower group-wise classification of assets, financed as in (3) and (4) above :

Please see Note 2 below

Category	Amount in ₹ (Net of provisions)		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	43,149,580,733	8,300,000,000	51,449,580,733

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Please see note 3 below

Category	(Amount in ₹)	
	Market Value / Break up or fair value or NAV*	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	100,100,000	100,100,000
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	1,869,682,987	1,869,682,987

(8) Other information

Particulars	Amount in ₹
(i) Gross Non-Performing Assets	
(a) Related parties**	-
(b) Other than related parties	727,335,794
(ii) Net Non-Performing Assets	
(a) Related parties**	-
(b) Other than related parties	619,511,124
(iii) Assets acquired in satisfaction of debt	-

Notes :

- As defined in Paragraph 3 (xv) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 2016.
- Provisioning norms shall be applicable as prescribed in the RBI Master Directions, 2016.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for calculation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

INDEPENDENT AUDITOR'S REPORT

To
The Members of INDOSTAR CAPITAL FINANCE LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IndoStar Capital Finance Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified

under Section 143(10) of the Act. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view 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 the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 of the consolidated state of affairs of the Group, as at March 31, 2017, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements except as given in para g (iv) below;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss, and consolidated Cash Flow Statement

dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary companies incorporated in India, none of the directors of the Group's companies, incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, associate companies and jointly controlled companies incorporated in India, refer to our separate report in "Annexure 1" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the group – Refer Note 26 to the consolidated financial statements;
 - ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts.

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India.
- iv. The Holding Company, subsidiaries incorporated in India have provided disclosures in Note 29 in the consolidated financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 9, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding to the holding and nature of cash transactions, including those in Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the management. However, as stated in note 29 in the financial statements, the borrowers of the Company have directly deposited cash in the Company's bank accounts and we report that we were not made available sufficient appropriate audit evidence regarding denomination wise details of such deposits, details of which, as represented to us, are not available with the Company

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jayesh Gandhi**

Partner

Membership Number: 037924

Place of Signature: Mumbai

Date: May 12, 2017

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDOSTAR CAPITAL FINANCE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of IndoStar Capital Finance Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of IndoStar Capital Finance Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding Company, its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal

financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDOSTAR CAPITAL FINANCE LIMITED

or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the

Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jayesh Gandhi**

Partner

Membership Number: 037924

Place of Signature: Mumbai

Date: May 12, 2017

CONSOLIDATED BALANCE SHEET

as at March 31, 2017

(Amount in ₹)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016
I. Equity and Liabilities			
(1) Shareholders' funds			
(a) Share capital	3	783,617,990	733,544,290
(b) Reserves and surplus	4	18,243,922,529	14,684,476,704
		19,027,540,519	15,418,020,994
(2) Non-current liabilities			
(a) Long-term borrowings	5	19,106,120,313	17,588,658,160
(b) Other Long term liabilities	6	72,370,201	102,678,687
(c) Long term provisions	7	269,481,205	146,139,655
		19,447,971,719	17,837,476,502
(3) Current liabilities			
(a) Short-term borrowings	8	7,865,505,788	4,994,161,851
(b) Trade payables (Refer note 28)		44,931,786	32,889,662
(c) Other current liabilities	6	8,345,384,875	8,591,994,788
(d) Short-term provisions	7	156,355,497	58,500,282
		16,412,177,946	13,677,546,583
TOTAL		54,887,690,184	46,933,044,079
II. Assets			
(1) Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		69,219,952	30,214,999
(ii) Intangible assets		18,792,388	2,875,903
(iii) Capital work in progress		-	4,425,799
(b) Non-current investments	10	630,311,205	-
(c) Deferred tax assets (net)	11	163,646,726	103,019,162
(d) Long term loans and advances	12	39,330,907,722	30,992,479,887
		40,212,877,993	31,133,015,750
(2) Current assets			
(a) Cash and bank balances	14	651,298,742	3,596,092,729
(b) Current investments	15	1,239,371,782	-
(c) Short-term loans and advances	12	12,275,351,589	11,846,530,567
(d) Other current assets	13	508,790,078	357,405,033
		14,674,812,191	15,800,028,329
TOTAL		54,887,690,184	46,933,044,079

Significant Accounting Policies

2.1

The notes referred to above form an integral part of the financial statements.

As per our report of even date

For **S R Batliboi & Co LLP**

ICAI Firm Registration No. 301003E/E300005

Chartered Accountants

per **Jayesh Gandhi**

Partner

Membership No. 37924

For and on behalf of the Board of Directors of

IndoStar Capital Finance Limited

R. Sridhar

Executive Vice-Chairman & CEO

DIN: 00136697

Pankaj Thapar

Chief Financial Officer

Dhanpal Jhaveri

Director

DIN: 02018124

Jitendra Bhati

Company Secretary

Place: Mumbai

Date: May 12, 2017

Place: Mumbai

Date: May 12, 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2017

(Amount in ₹)

Particulars	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
Income			
Revenue from operations	16	7,191,771,048	6,439,962,705
Other income	17	7,402,030	539,128
TOTAL		7,199,173,078	6,440,501,833
Expenditure			
Employee benefit expenses	18	481,898,175	394,501,996
Finance cost	19	3,118,494,881	2,892,590,633
Depreciation and amortisation	9	18,777,500	5,132,309
Other expenses	20	226,321,873	182,387,138
Provisions for standard assets and NPA	21	123,280,817	33,818,664
TOTAL		3,968,773,246	3,508,430,740
Profit before taxation		3,230,399,832	2,932,071,093
Provision for taxation			
Current tax		1,183,073,074	1,033,499,106
Deferred tax		(60,627,564)	(17,847,351)
Total tax expense		1,122,445,510	1,015,651,755
Net profit after taxes		2,107,954,322	1,916,419,338
Earnings per share	22		
Basic (₹)		28.69	26.75
Diluted (₹)		26.31	26.41
Nominal value of equity share (₹)		10	10

Significant Accounting Policies 2.1
The notes referred to above form an integral part of the financial statements.

As per our report of even date

For **S R Batliboi & Co LLP**
ICAI Firm Registration No. 301003E/E300005
Chartered Accountants

per **Jayesh Gandhi**
Partner
Membership No. 37924

Place: Mumbai
Date: May 12, 2017

For and on behalf of the Board of Directors of
IndoStar Capital Finance Limited

R. Sridhar
Executive Vice-Chairman & CEO
DIN: 00136697

Pankaj Thapar
Chief Financial Officer

Place: Mumbai
Date: May 12, 2017

Dhanpal Jhaveri
Director
DIN: 02018124

Jitendra Bhati
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2017

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
A. Cash flow from operating activities		
Profit before taxes	3,230,399,832	2,932,071,093
Depreciation and amortisation	18,777,500	5,132,309
Loss / (profit) on sale of fixed assets (net)	85,501	21,409
Provisions for non performing assets	87,824,670	615,025
Provisions for standard assets	35,456,147	33,203,639
Provision for gratuity	2,129,200	840,733
Provision for leave encashment	1,125,008	752,547
Operating profit before working capital changes	3,375,797,858	2,972,636,755
Movements in working capital:		
Increase / (decrease) in trade payables	12,042,124	13,562,163
Increase / (decrease) in other liabilities	(276,918,399)	1,404,511,539
(Increase) / Decrease in loans and advances	(8,767,253,206)	(8,918,430,073)
(Increase) / Decrease in other assets	(151,385,045)	142,364,555
Cash generated from operations	(5,807,716,668)	(4,385,355,061)
Direct taxes paid (net of refunds)	(1,088,411,330)	(1,041,688,943)
Net cash flow from / used in operating activities (A)	(6,896,127,998)	(5,427,044,004)
B. Cash flows from investing activities		
Purchase of fixed including intangible assets	(69,424,823)	(29,535,349)
Increase in Capital work in progress	-	(4,425,799)
Proceeds from sale of fixed assets	70,529	2,359
Investment in Preference Shares	(39,975,250)	-
Investment in Pass through certificates	(909,091,390)	-
Repayments from fixed income debt instruments	-	546,000,000
Investments in Mutual Fund units	(920,616,347)	-
Bank deposits (having original maturity of more than three months)(net)	-	2,655,000,000
Net cash used in investing activities (B)	(1,939,037,281)	3,167,041,211
C. Cash Flows from financing activities		
Proceeds from issue of Equity Share Capital	50,073,700	49,893,893
Proceeds from Securities Premium on issue of Equity Share Capital	1,451,491,503	599,452,845
Forfeiture of Equity Shares	-	43,038
Amount raised from short term borrowings	2,871,343,937	1,554,946,026
Term loans from banks	218,442,472	23,441,979
Amount received on issue of NCDs	1,299,019,681	1,426,858,584
Net cash from financing activities (C)	5,890,371,293	3,654,636,365
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(2,944,793,986)	1,394,633,572
Cash and Cash Equivalents at the beginning of the year	3,516,092,728	2,121,459,156
Cash and Cash Equivalents at the end of the year	571,298,742	3,516,092,728

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2017

Components of Cash and Cash Equivalents	For the year ended March 31, 2017	For the year ended March 31, 2016
Cash and Cash Equivalents at the end of the year		
i) Cheque on hand	-	416,569
ii) Cash on hand	27,486	52,986
ii) Balances with scheduled banks in:		
Current accounts	469,271,256	940,173,173
Deposits with original maturity of less than three months	102,000,000	2,575,450,000
Total cash and cash equivalents	571,298,742	3,516,092,728

As per our report of even date

For **S R Batliboi & Co LLP**

ICAI Firm Registration No. 301003E/E300005

Chartered Accountants

per **Jayesh Gandhi**

Partner

Membership No. 37924

Place: Mumbai

Date: May 12, 2017

For and on behalf of the Board of Directors of

IndoStar Capital Finance Limited

R. Sridhar

Executive Vice-Chairman & CEO

DIN: 00136697

Pankaj Thapar

Chief Financial Officer

Place: Mumbai

Date: May 12, 2017

Dhanpal Jhaveri

Director

DIN: 02018124

Jitendra Bhati

Company Secretary

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

1. Basis of preparation

The Consolidated financial statements relates to M/s. IndoStar Capital Finance Limited (the company), its subsidiary companies. The company, its subsidiary companies constitute the group. The financial statements have been prepared in conformity with generally accepted accounting principles to comply in all material respects with the notified Accounting Standards ('AS') under provisions of the Companies Act, 2013 ('the Act') and the directions issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC'). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the group and are consistent with those used in the previous year. The complete financial statements have been prepared along with all disclosures.

2. Basis of Consolidation

- i The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the company i.e. year ended March 31, 2017 and are prepared based on the accounting policies consistent with those used by the company.
- ii. The financial statements of the group have been prepared in accordance with the AS 21- 'Consolidated Financial Statements' in consolidated financial statements, notified under the provisions of the Companies Act, 2013 (the 'Act') and other generally accepted accounting principles in India.
- iii. The consolidated financial statements have been prepared on the following basis :
 - 1 The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions have been fully eliminated except where losses are realised.
 - 2 The excess of cost to the company of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated

financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

- 3 Minority interest, if any, in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.
- iv. The subsidiary company IndoStar Asset Advisory Private Limited (IAAPL) and IndoStar Home Finance Private Limited (IHFPL) are 100% subsidiaries of IndoStar Capital Finance Limited and same is considered for preparation of consolidated financial statements.

2.1 Significant Accounting Policies

(a) Presentation and disclosure of financial statements

The Company has classified all its assets / liabilities into current / non-current portion based on the time frame of twelve months from the date of financial statements. Accordingly, assets / liabilities expected to be realised / settled within twelve months from the date of financials statements are classified as current and other assets / liabilities are classified as non current.

(b) Use of estimates

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

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forming part of the consolidated financial statements for the year ended March 31, 2017

(c) Tangible/Intangible Fixed Assets, Depreciation/Amortisation and Impairment

Tangible Fixed Assets

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

Depreciation on tangible fixed assets

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life of the respective fixed assets and are greater than or equal to the corresponding useful life prescribed in Schedule II of the Act. The estimated useful life used are as follows:

Particulars	Estimated useful life by the Company	Useful life as prescribed by Schedule II of the Companies Act, 2013
Furniture and Fixtures	5 Years	10 Years
Office Equipments	5 Years	5 Years
Office Equipments - Mobiles	2 Years	5 Years
Computers	3 Years	3 Years
Servers and networks	5 Years	6 Years

Useful life of assets different from prescribed in Schedule II has been estimated by management and supported by technical assessment.

Leasehold improvement is amortised on Straight Line Method over the lease term.

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

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

Intangible assets

Costs relating to acquisition and development of computer software are capitalized in accordance with the AS 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India ('ICAI') and are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life.

Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of

impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(d) Investments

Investments intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. Commercial papers are valued at carrying cost.

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forming part of the consolidated financial statements for the year ended March 31, 2017

However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(e) Provisioning / Write-off of assets

Non performing loans are written off / provided as per the minimum provision required under the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016 ('RBI Master Directions, 2016'). Pursuant to the RBI Master Directions, 2016, the Company has revised its recognition norms of Non- Performing Assets (NPA) from 150 days to 120 days.

Provision on standard assets is made as per management estimates and is more than as specified in the RBI Master Directions, 2016.

(f) Loans

Loans are stated at the amount advanced and expenses recoverable, as reduced by the amounts received up to the balance sheet date.

(g) Leases

Where the Company is the lessee

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

(h) Foreign currency translation

Initial recognition

Transactions in foreign currency entered into during the year are recorded at the exchange rates prevailing on the date of the transaction.

Conversion

Monetary assets and liabilities denominated in foreign currency are translated in to Rupees at exchange rate prevailing on the date of the Balance Sheet.

Exchange differences

All exchange differences are dealt with in the Statement of profit and loss account.

(i) Revenue recognition

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

- i Income from financing and investing activities is recognised on accrual basis, except in case of income on non-performing assets, which is recognised on receipt basis.
- ii Interest income on fixed income debt instruments such as certificate of deposits, non-convertible debentures and commercial papers are recognised on a time proportion basis taking into account the amount outstanding and the effective rate applicable. Discount, if any, is recognised on a time proportion basis over the tenure of the securities.
- iii Interest income on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iv Interest income on loan portfolio buyout is recognised on accrual basis at the agreed rate of interest on the diminishing balance of outstanding loan.
- v Dividend is recognised as income when right to receive payment is established.
- vi Profit/loss on the sale of investments is determined on the basis of the weighted average cost method.
- vii Origination fees is recognised as income on signing of the binding term sheet by the client. Part of the origination fees is recognised upfront based on the management estimate and the balance fee is amortised over the tenure of the loan.
- viii Management fees are recognised on accrual basis as per the terms of the agreement.
- ix Syndication fee and other fees are recognised as income when a significant portion of the arrangement is completed.

(j) Retirement and other employee benefits

Provident Fund

All the employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

the Company contribute monthly at a stipulated rate. The Company has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense in the year it is incurred.

Gratuity

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

Leave Encashment

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

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

(k) Income tax

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(l) Segment reporting

The Company is engaged in loan / financing activities. It operates in a single business and geographical segment.

(m) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(n) Provisions

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

(o) Referral Fees

Referral fees expenses to the distributors is amortised over the term of fund.

(p) Cash and cash equivalents

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

(q) Borrowing costs

Borrowing cost includes interest and are charged to Profit & Loss in the year in which they are incurred. Ancillary and other borrowing costs are amortised over the tenure of the underlying loan on straight line basis.

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forming part of the consolidated financial statements for the year ended March 31, 2017

(r) Employee stock compensation costs

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities And Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Note 3 - Share capital

Particulars	(Amount in ₹)	
	As at March 31, 2017	As at March 31, 2016
Authorised		
90,000,000 (March 31, 2016: 80,000,000) Equity Shares of ₹ 10/- each	900,000,000	800,000,000
	900,000,000	800,000,000
Issued & Subscribed		
Equity Shares		
78,361,799 (March 31, 2016: 73,354,429) Equity shares of ₹ 10/- each fully paid up	783,617,990	733,544,290
Total	783,617,990	733,544,290

a. Reconciliation of the equity shares outstanding at the beginning and at end of reporting period.

Particulars	As at March 31, 2017		As at March 31, 2016	
	Numbers of shares	Amount in ₹	Numbers of shares	Amount in ₹
Shares outstanding at the beginning of the year	73,354,429	733,544,290	77,658,197	686,289,853
Issued during the year	5,007,370	50,073,700	-	-
	78,361,799	783,617,990	77,658,197	686,289,853
Add: call money received on 4,734,482 partly paid shares @ 9.99 per share	-	-	-	47,297,475
Less: 4,303,768 shares ₹ 0.01 paid up per share forfeited on non- payment of call money	-	-	(4,303,768)	(43,038)
Shares outstanding at the end of the year	78,361,799	783,617,990	73,354,429	733,544,290

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

c. Details of shareholders holding more than 5% shares in the Company

Name of the shareholders	As at March 31, 2017		As at March 31, 2016	
	Numbers of shares	% holding in the class	Numbers of shares	% holding in the class
Equity shares of ₹ 10/- each				
IndoStar Capital (Mauritius) (Holding Company)	71,102,635	90.74	71,369,635	97.30

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

d. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 24.

Note 4 - Reserves and Surplus

Particulars	(Amount in ₹)	
	As at March 31, 2017	As at March 31, 2016
Securities Premium Account		
Balance as per last account	8,795,266,108	8,227,128,268
Add: Received during the period	1,451,491,503	568,137,840
Closing balance	10,246,757,611	8,795,266,108
Other Reserves		
Statutory reserve pursuant to Section 45-IC of The RBI Act, 1934		
Balance as per last account	1,191,045,902	809,014,794
Add: Transfer from surplus balance in statement of profit and loss	418,075,629	382,031,108
Closing balance	1,609,121,531	1,191,045,902
Statutory Reserve pursuant to Section 29C of the National Housing Bank Act, 1987		
Balance as per last account	-	-
Add: Transfer from surplus balance in statement of profit and loss	852,652	-
Closing balance	852,652	-
Capital Reserve (4,303,768 shares ₹ 0.01 paid up per share forfeited on non-payment of call money and amount received transferred)	43,038	43,038
Closing balance	43,038	43,038
Surplus in Statement of profit and loss		
Balance as per last account	4,698,121,656	3,163,733,423
Add: Profit for the current year	2,107,954,322	1,916,419,341
Less: Appropriations		
Transfer to statutory reserve as per Section 45-IC of The RBI Act, 1934	(418,075,629)	(382,031,108)
Transfer to statutory reserve as per Section 29C of the National Housing Bank Act, 1987	(852,652)	-
Net surplus in the statement of profit and loss	6,387,147,697	4,698,121,656
Total	18,243,922,529	14,684,476,704

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

Note 5 - Long term borrowings

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non Current portion	Current maturities*	Non Current portion	Current maturities*
Term loans from banks				
Secured	9,814,936,127	4,839,044,441	9,596,493,655	4,925,719,985
Redeemable non convertible debentures				
Secured	9,291,184,186	1,922,273,237	7,992,164,505	2,500,000,000
Less: transferred to Other liabilities	-	(6,761,317,678)	-	(7,425,719,985)
Total	19,106,120,313	-	17,588,658,160	-

*Amount disclosed under the head 'Other liabilities'

(a) Term loan from banks:

Particulars - Bank Name	Rate of interest	Repayment details	As at March 31, 2017		As at March 31, 2016	
			Non-Current portion	Current Maturities	Non-Current portion	Current Maturities
Axis Bank Limited- TL II	>=8.75%<10.75%	13-Quarterly repayments	-	-	153,846,154	307,692,308
Axis Bank Limited - TL III	>=8.75%<10.75%	13-Quarterly repayments	-	-	246,153,846	123,076,924
Bank of Baroda Limited	>=8.75%<10.75%	16-Quarterly repayments	-	250,000,000	250,000,000	250,000,000
Bank of Baroda Limited - TL II	>=8.75%<10.75%	20-Quarterly repayments	300,000,000	200,000,000	500,000,000	200,000,000
Bank of India Limited	>=8.75%<10.75%	16-Quarterly repayments	-	375,000,000	375,000,000	375,000,000
Canara Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	333,600,000
Canara Bank Limited - TL II	>=8.75%<10.75%	8 - Half yearly repayments	437,500,000	62,500,000	-	-
Corporation Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	50,000,000
Corporation Bank Limited - TL II	>=8.75%<10.75%	9 - Half yearly repayments	133,333,335	66,666,666	200,000,001	66,666,666
Dena Bank	>=8.75%<10.75%	8 - Half yearly repayments	375,000,000	125,000,000	150,000,000	-
Dena Bank - TL II	>=8.75%<10.75%	8 - Half yearly repayments	437,500,000	62,500,000	-	-
Federal Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	83,333,332
Federal Bank Limited - TL II	>=8.75%<10.75%	12-Quarterly repayments	-	-	24,996,668	33,333,332
Federal Bank Limited - TL III	>=8.75%<10.75%	12-Quarterly repayments	333,333,332	266,666,668	-	-
ICICI Bank Limited - II	>=8.75%<10.75%	10-Quarterly repayments	-	300,000,000	300,000,000	400,000,000
IDBI Bank Limited	>=8.75%<10.75%	18 - Quarterly repayments	249,999,998	111,111,112	361,111,110	111,111,112
IDBI Bank Limited - II	>=8.75%<10.75%	16-Quarterly repayments	437,500,000	62,500,000	-	-
Indian Overseas Bank Limited	>=8.75%<10.75%	18-Quarterly repayments	222,222,221	222,222,223	444,444,444	222,222,223
IndusInd Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	75,000,000
IndusInd Bank Limited - TL II	>=8.75%<10.75%	10-Quarterly repayments	-	-	30,000,000	120,000,000
ING Vysya Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	41,666,667
ING Vysya Bank Limited - TL III	>=8.75%<10.75%	20-Quarterly repayments	375,000,000	200,000,000	575,000,000	200,000,000
Indian Bank	>=8.75%<10.75%	8 - Half yearly repayments	250,000,000	-	-	-
Kotak Mahindra Bank Limited- TL II	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	83,333,334
Kotak Mahindra Bank Limited - TL III	>=8.75%<10.75%	16-Quarterly repayments	187,500,000	250,000,000	437,500,000	250,000,000
Kotak Mahindra Bank Limited - TL IV	>=8.75%<10.75%	16-Quarterly repayments	562,500,000	250,000,000	-	-
Punjab National Bank Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	133,336,924
Punjab National Bank - II	>=8.75%<10.75%	16-Quarterly repayments	343,750,000	137,500,000	481,250,000	68,750,000
SIDBI	>=8.75%<10.75%	20-Quarterly repayments	1,200,000,000	300,000,000	-	-
South Indian Bank Limited	>=8.75%<10.75%	18-Quarterly repayments	111,111,120	55,555,552	166,666,672	55,555,552
South Indian Bank - II	>=8.75%<10.75%	16-Quarterly repayments	171,875,000	62,500,000	234,375,000	15,625,000

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forming part of the consolidated financial statements for the year ended March 31, 2017

Particulars - Bank Name	Rate of interest	Repayment details	As at March 31, 2017		As at March 31, 2016	
			Non-Current portion	Current Maturities	Non-Current portion	Current Maturities
State Bank of Bikaner and Jaipur Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	16,425	166,666,667
State Bank of Bikaner and Jaipur Limited - II	>=8.75%<10.75%	8 - Half yearly repayments	562,500,000	187,500,000	750,000,000	-
State Bank of Hyderabad Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	83,333,279
State Bank of Hyderabad Limited - II	>=8.75%<10.75%	18-Quarterly repayments	611,111,121	222,222,220	833,333,335	166,666,665
State Bank of Hyderabad Limited - III	>=8.75%<10.75%	8 - Half yearly repayments	375,000,000	125,000,000	-	-
State Bank of India Limited - TL II	>=8.75%<10.75%	18-Quarterly repayments	999,900,000	444,400,000	1,444,300,000	444,400,000
State Bank of Mysore Limited	>=8.75%<10.75%	12-Quarterly repayments	-	-	-	20,650,000
State Bank of Mysore Limited - TL II	>=8.75%<10.75%	9 - Half yearly repayments	249,900,000	166,600,000	416,500,000	166,700,000
State Bank of Mysore Limited - TL III	>=8.75%<10.75%	9 - Half yearly repayments	333,200,000	111,200,000	444,400,000	55,600,000
State Bank of Patiala - II	>=8.75%<10.75%	9 - Half yearly repayments	555,200,000	222,400,000	777,600,000	222,400,000
Total			9,814,936,127	4,839,044,441	9,596,493,655	4,925,719,985

Nature of Security:

First pari-passu (with banks and financial institutions providing credit facilities to the Issuer) charge by way of hypothecation on the standard asset portfolio of receivable of ₹ 25,302,507,900/- (March 2016 ₹ 23,144,053,552/-)

b) Non Convertible Debenture

Privately placed Redeemable Non Convertible Debentures of ₹ 10,00,000/- each

Terms of repayment as on March 31, 2017

Redeemable within	As at March 31, 2017		As at March 31, 2016	
	Rate of interest		Rate of interest	
	>= 0% < 11.55%		>= 0% < 12.25%	
	Non-Current portion	Current Maturities	Non-Current portion	Current Maturities
0-12 Months	-	1,922,273,237	-	2,500,000,000
12-24 Months	4,071,676,465	-	1,760,836,605	-
24-36 Months	3,569,507,721	-	3,731,327,900	-
36-48 Months	1,000,000,000	-	1,350,000,000	-
48-60 Months	500,000,000	-	1,000,000,000	-
Above 60 Months	150,000,000	-	150,000,000	-
Total	9,291,184,186	1,922,273,237	7,992,164,505	2,500,000,000

Nature of Security:

- Security is created in favour of the Debenture Trustee, as follows:
 - first pari-passu (with banks and financial institutions providing credit facilities to the Issuer) charge on by way of hypothecation on the standard asset portfolio of receivables of ₹ 11,932,020,000/- (March 2016: ₹ 11,654,260,000); and
 - first pari-passu charge on immovable property situated at village Maharajpura of Kadi taluka, Mehsana district, Gujarat
- Debentures may be bought back subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the Company.

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Note 6 - Other liabilities

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-Current	Current	Non-Current	Current
Unamortised fees	72,370,201	48,048,029	102,678,687	76,040,637
Interest accrued but not due on loans	-	761,503,118	-	741,757,195
Current maturities of long term debts (Refer note 5)	-	6,761,317,678	-	7,425,719,985
Book Overdraft	-	510,802,280	-	178,111,795
Employee benefits payable	-	168,358,844	-	153,741,500
Other liabilities (includes statutory liabilities)	-	95,354,926	-	16,623,676
Total	72,370,201	8,345,384,875	102,678,687	8,591,994,788

Note 7 - Provisions

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-Current	Current	Non-Current	Current
For employee benefit				
For gratuity	2,225,327	1,748,794	414,975	1,429,946
For leave encashment and availment	3,337,515	677,862	2,589,610	300,759
For Others				
For non-performing assets	107,824,670	-	20,000,000	-
For standard assets	156,093,693	50,968,235	123,135,070	48,470,711
For income tax (net of advance tax)	-	102,960,606	-	8,298,866
Total	269,481,205	156,355,497	146,139,655	58,500,282

Note 8 - Short term borrowing

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Secured Loan		
Bank overdraft	947,472,808	1,088,673,837
Unsecured Loan		
Commercial papers		
i) From banks	500,000,000	500,000,000
ii) Other than banks	6,550,000,000	3,500,000,000
Less: Unamortised discount	(131,967,020)	(94,511,986)
	6,918,032,980	3,905,488,014
Total	7,865,505,788	4,994,161,851

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Note 9 - Fixed assets

(Amount in ₹)

Particulars	Tangible Assets						Intangible Assets	Total Assets
	Land - Freehold	Computers	Office Equipment	Furniture and Fixtures	Leasehold Improvement	TOTAL	Software	
Gross Block								
As at March 31, 2015	1,505,100	6,960,258	2,715,296	2,893,178	16,453,451	30,527,283	3,259,044	33,786,327
Additions	-	9,248,797	2,016,017	1,280,518	15,319,058	27,864,390	1,670,959	29,535,349
Deletions	-	-	425,563	139,813	-	565,376	-	565,376
As at March 31, 2016	1,505,100	16,209,055	4,305,750	4,033,883	31,772,509	57,826,297	4,930,003	62,756,300
Additions	-	22,362,356	5,949,401	518,507	19,869,320	48,699,584	25,151,038	73,850,622
Deletions	-	209,487	352,799	-	-	562,286	-	562,286
As at March 31, 2017	1,505,100	38,361,924	9,902,352	4,552,390	51,641,829	105,963,595	30,081,041	136,044,636
Depreciation								
As at March 31, 2015	-	4,455,561	1,523,293	1,766,539	16,453,451	24,198,844	875,853	25,074,697
Additions	-	2,183,366	809,531	611,450	349,715	3,954,062	1,178,247	5,132,309
Deletions	-	-	420,424	121,184	-	541,608	-	541,608
As at March 31, 2016	-	6,638,927	1,912,400	2,256,805	16,803,166	27,611,298	2,054,100	29,665,398
Additions	-	4,359,234	1,263,046	659,214	3,261,453	9,542,947	9,234,553	18,777,500
Deletions	-	109,133	301,469	-	-	410,602	-	410,602
As at March 31, 2017	-	10,889,028	2,873,977	2,916,019	20,064,619	36,743,643	11,288,653	48,032,296
Net Block								
As at March 31, 2017	1,505,100	27,472,896	7,028,375	1,636,371	31,577,210	69,219,952	18,792,388	88,012,340
As at March 31, 2016	1,505,100	9,570,128	2,393,350	1,777,078	14,969,343	30,214,999	2,875,903	33,090,902

Note 10 - Non-current investments

(Amount in ₹)

Particulars	As at March 31, 2017			As at March 31, 2016		
	Face value	Quantity	Amount	Face value	Quantity	Amount
Unquoted - Compulsorily Convertible Preference Share						
GC Web Ventures Private Limited	150	862	39,975,250	-	-	-
Other Investments						
Pass through certificates - Firefinch CV IFMR Capital 2017	1	590,335,955	590,335,955	-	-	-
TOTAL		590,336,817	630,311,205		-	-
Aggregate Value of Quoted Investments						
Cost of acquisition			-			-
Market value			-			-

NOTES

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Note 11 - Deferred tax assets (net)

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Deferred tax asset created during the year		
Fixed asset: Impact of difference between tax depreciation and depreciation / amortization charged for financial reporting period	(1,304,539)	2,946,027
Provision for standard assets	71,659,992	59,389,329
Origination fees unamortised	41,674,341	61,777,148
Provision for gratuity	1,375,364	638,490
Provision for leave encashment	1,389,642	1,000,299
Interest on the NPA Loans not accrued in books	32,073,135	-
Provision for non performing assets	37,315,962	6,921,600
TOTAL (A)	184,183,897	132,672,893
Deferred tax liability created during the year		
Borrowing costs unamortised	(20,537,171)	(29,653,731)
TOTAL (B)	(20,537,171)	(29,653,731)
Net deferred tax asset (A - B)	163,646,726	103,019,162

Note 12 - Loans and advances

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non Current portion	Current portion	Non Current portion	Current portion
Unsecured, considered good				
Security Deposits				
Unsecured, considered good	25,507,954	-	19,092,566	-
Secured, considered good				
Hypothecation loans	22,602,778,828	3,156,585,191	17,881,082,511	4,514,488,179
Debentures	14,013,986,170	2,648,894,750	12,902,675,148	1,452,625,594
Short term loans	-	-	-	1,000,000,000
Secured, considered doubtful				
Hypothecation loans	727,335,794	-	100,000,000	-
Unsecured, considered good				
Hypothecation loans	-	750,000,000	-	-
Debentures	1,900,000,000	650,000,000	-	-
Short term loans	-	5,000,000,000	-	4,800,000,000
Unsecured, considered good				
Advances recoverable in cash or in kind or for value to be received	-	13,015,691	-	18,942,112
Prepaid expenses	61,298,976	52,959,389	89,629,662	55,826,021
Service tax (Including Input credit)	-	3,896,568	-	4,648,661
Total	39,330,907,722	12,275,351,589	30,992,479,887	11,846,530,567

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forming part of the consolidated financial statements for the year ended March 31, 2017

Note 13 - Other current assets

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non Current portion	Current portion	Non Current portion	Current portion
Interest accrued but not due on loans	-	506,437,790	-	350,774,068
Interest accrued on fixed deposits with banks	-	2,352,288	-	6,630,965
Total	-	508,790,078	-	357,405,033

Notes 14 - Cash and bank balances

(Amount in ₹)

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents		
i) Cash on hand	27,486	52,986
ii) Balances with scheduled banks in:		
Current accounts	469,271,256	940,173,173
Deposits with original maturity of less than three months	102,000,000	2,575,450,000
iii) Cheque on hand	-	416,569
Other bank balances		
Deposits with original maturity of more than three months but less than twelve months	80,000,000	80,000,000
Total	651,298,742	3,596,092,728

Note 15 - Current investments

(Amount in ₹)

Particulars	As at March 31, 2017		As at March 31, 2016	
	Quantity	Amount	Quantity	Amount
Investments in Mutual funds: (At Net Asset Value)				
Kotak Liquid Scheme - Plan A - DDR	752,869.49	920,616,347	-	-
Other Investments				
Pass through certificates - Venus SBL IFMR Capital 2017	318,755,435	318,755,435	-	-
Total		1,239,371,782		-

Note 16 - Revenue from operations

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest income on:		
- Loan portfolio and related charges	6,320,167,059	5,345,095,632
- Deposits with banks	113,476,030	236,834,368
- Investments in PTCs	2,205,963	-
- Fixed income debt instruments	-	62,085,818
Other financial services:		
- Origination fees	673,745,817	681,293,336
- Syndication & other fees	81,796,417	114,653,551
- Gain on sale of loan assets	379,762	-
Total	7,191,771,048	6,439,962,705

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forming part of the consolidated financial statements for the year ended March 31, 2017

Note 17 - Other income

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Dividend income	2,419,511	537,221
Profit on Sale of Investments	3,696,979	-
Miscellaneous income	1,285,540	1,907
Total	7,402,030	539,128

Note 18 - Employee benefit expenses

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries, other allowances and bonus	465,234,052	383,673,813
Gratuity expenses	3,379,200	840,733
Leave encashment	1,601,969	821,401
Contribution to provident and other funds	8,820,780	7,061,065
Staff welfare expenses	2,862,174	2,104,984
Total	481,898,175	394,501,996

Note 19 - Finance cost

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest expense on		
Debentures	1,151,145,848	971,108,012
Deposits from clients	-	1,116,386
Loans from banks	1,555,498,046	1,608,701,293
Commercial paper	315,354,966	225,649,689
Other borrowing costs		
Processing charges on loans	44,777,143	50,373,481
Bank charges & other related costs	51,718,878	35,641,772
Total	3,118,494,881	2,892,590,633

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Note 20 - Other expenses

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Rent	39,534,426	23,202,144
Rates & taxes	4,225,795	8,184,545
Printing and stationery	1,326,126	1,404,742
Travelling & conveyance	8,427,422	7,448,621
Advertisement	581,613	521,447
Business Promotion	2,601,314	2,453,734
Conference charges	59,146	351,604
Commission & brokerage	48,148,161	27,555,862
Office expenses	22,518,596	20,502,939
Directors' sitting fees	2,156,050	4,878,483
Insurance	2,198,943	1,526,366
Communication expenses	3,649,609	2,140,919
Payment to auditor		
- Audit fees	4,338,233	3,708,556
- Tax audit fees	376,250	321,750
- Certification	726,000	348,563
Loss on sale of loan assets	-	7,895,700
CSR expenses	16,390,052	12,500,000
Legal & professional charges	66,597,224	55,115,549
Loss on sale of fixed assets (net)	85,501	21,409
Membership & subscriptions	2,381,412	2,304,205
Total	226,321,873	182,387,138

Note 21 - Provisions for standard assets and NPA

(Amount in ₹)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Provision for standard assets	35,456,147	33,203,639
Provision for non-performing assets	87,824,670	615,025
Total	123,280,817	33,818,664

Note 22 - Earnings per share

(Amount in ₹ except for no. of equity shares)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Net Profit after tax as per Statement of profit and loss (Amount in Rupees) (A)	2,107,954,322	1,916,419,338
Weighted average number of equity shares for calculating Basic EPS (B)	73,481,031	71,641,552
Weighted average number of equity shares for calculating Diluted EPS (C)	80,119,592	72,533,552
Basic earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (B)	28.69	26.75
Diluted earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (C)	26.31	26.41

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Weighted average number of equity shares for calculating Basic EPS	73,481,031	71,641,552
Add: Weighted number of equity shares under options	6,638,561	892,000
Weighted average number of equity shares in calculating Diluted EPS	80,119,592	72,533,552

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Note 23 - Gratuity and other post-employment benefit plans:

The Company has an funded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service.

Based on AS 15 'Employee Benefits' notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, the following disclosures have been made as required by the standard:

Profit and loss account

Net employee benefit expense (recognized in employee cost)

(Amount in ₹)		
Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	1,429,946	1,496,619
Interest cost on benefit obligation	389,148	317,318
Expected return on plan assets	(301,012)	(333,616)
Net actuarial (gain) / loss recognised in the year	861,118	(639,588)
Past service cost	-	-
Adjustment in respect of interest not credited in the previous year	-	-
Net benefit expense	2,379,200	840,733

Balance sheet

Details of Provision for gratuity

(Amount in ₹)		
Particulars	As at March 31, 2017	As at March 31, 2016
Defined benefit obligation	(6,586,932)	(5,187,432)
Fair value of plan assets	2,612,811	3,342,511
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(3,974,121)	(1,844,921)

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

(Amount in ₹)		
Particulars	As at March 31, 2017	As at March 31, 2016
Opening defined benefit obligation	5,187,432	4,077,761
Interest cost	389,148	317,318
Current service cost	1,429,946	1,496,619
Benefits paid	(1,250,000)	-
Actuarial (gains) / losses on obligation	830,406	(704,266)
Closing defined benefit obligation	6,586,932	5,187,432

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

Particulars	As at March 31, 2017	As at March 31, 2016
Investments with insurer	2,612,811	3,342,511

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

Particulars	As at March 31, 2017	As at March 31, 2016
Discount Rate	7.10%	7.80%
Increase in compensation cost	6.00%	6.00%

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

Amounts for the Current and previous four years are as follows:

(Amount in ₹)					
Particulars	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013
Defined benefit obligation	6,586,932	5,187,432	4,077,761	2,277,797	2,019,308
Plan assets	2,612,811	3,342,511	3,073,573	2,015,432	1,415,180
Surplus / (deficit)	(3,974,121)	(1,844,921)	(1,004,188)	(262,365)	(604,128)
Experience adjustments on plan liabilities	539,056	(1,682,888)	26,861	(632,462)	(208,423)
Experience adjustments on plan assets	30,712	64,678	30,626	12,284	49,041

Note 24 - Employee stock option plans

The company provides share-based employee benefits to the employees of the Company, the Holding Company or Subsidiary Company working in India or outside India, the Director, whether a whole time Director or otherwise; whether in India or outside India, including the Director of the Company, the Holding Company or a Subsidiary Company, such other entities or individuals as may be permitted by Applicable Laws and any of the aforesaid Employees who are on deputation at the request of the Company and During the year ended 31 March 2017, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

The Board of Directors approved the share based employee benefits i.e. issue of stock options to the key employees and directors of the company under three schemes viz. ESOP Plan 2012, ESOP Plan 2016 and ESOP Plan 2016 II in their Meetings held on 20 June 2012, 11 April 2016 and 21 September 2016 respectively. According to the Schemes, the employee selected by the Nomination and remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years.

Other relevant terms of the grant are as follows	Terms
Vesting period	5 years
Exercise period	4 years from the date of vesting
Expected life	5 years
Market price	NIL

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The details of activity under various ESOP Schemes are summarized below:

Particulars	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016-II	ESOP Plan 2016-II	ESOP Plan 2016	ESOP Plan 2016-II
	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V	Tranche VI	Tranche I	Tranche II	Tranche III	Tranche I	Tranche II	Tranche IV	Tranche III
Date of grant	21-Aug-12	18-Feb-13	28-Mar-13	14-Aug-13	23-Apr-14	16-May-16	16-May-16	16-May-16	16-May-16	19-Oct-16	04-Nov-16	22-Mar-17	22-Mar-17
Number of option granted	203,000	100,000	20,000	10,000	666,000	602,254	2,498,036	15,000	25,000	2,370,000	20,000	150,000	367,000
Number of option exercised	3,400	200	-	-	470	-	-	-	-	-	-	-	-
Number of option cancelled	37,700	-	20,000	10,000	38,700	-	287,259	-	-	10,000	-	-	-
Number of option outstanding	161,900	99,800	-	-	626,830	602,254	2,210,777	15,000	25,000	2,360,000	20,000	150,000	367,000
Weighted average remaining contractual life (in years)	3.5	4.0	NA	NA	5.0	3.0	3.0	5.0	3.5	5.0	5.0	5.0	5.0
Weighted average fair value of options granted (₹)	99.63	102.52	91.11	92.16	105.67	82.87	82.87	108.11	90.32	119.65	119.91	139.36	139.36
Weighted Average Exercise Price (₹)	140.00	145.00	145.10	147.24	149.37	225.00	225.00	225.00	225.00	255.00	255.00	300.00	300.00

The range of exercise prices for options outstanding at the end of the year was ₹ 140.00 to ₹ 300.00 (31 March 2016: ₹ 140.00 to ₹ 149.37).

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

Particulars	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016	ESOP Plan 2016-II	ESOP Plan 2016-II	ESOP Plan 2016	ESOP Plan 2016-II
	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V	Tranche VI	Tranche I	Tranche II	Tranche III	Tranche I	Tranche II	Tranche IV	Tranche III
Dividend yield (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expected volatility	0.5811	0.5765	0.5709	0.5671	0.5733	0.4300	0.4300	0.4300	0.4300	0.4200	0.4200	0.4200	0.4200
Risk-free interest rate	8%	8%	8%	8%	8%	7.39%	7.39%	7.64%	7.44%	6.83%	6.88%	6.96%	6.96%
Weighted average share price (₹)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Exercise price (₹)	140.00	145.00	145.10	147.24	149.37	225.00	225.00	225.00	225.00	255.00	255.00	300.00	300.00
Expected life of options granted in years	4	4	NA	NA	5	3	3	5	4	5	5	5	5

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Profit after tax as reported	2,107,954,322	1,916,419,338
Add: ESOP cost using the intrinsic value method	-	-
Less: ESOP cost using the fair value method	166,009,820	43,166,392
Proforma profit after tax	1,941,944,502	1,873,252,946
Earnings Per Share		
Basic		
- As reported	28.69	26.75
- Proforma	26.43	26.15
Diluted		
- As reported	26.31	26.41
- Proforma	24.24	25.82

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

Note 25 - Related party disclosure

Names of related parties and related party relationships

Holding Company	IndoStar Capital (Mauritius)
Key Managerial Personnel	Vimal Bhandari - MD & CEO
	Shailesh Shirali - Wholetime Director

I. Related party with whom transactions have taken place during the year

(Amount in ₹)

Name of related party & nature of relationship	Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Key managerial personnel			
Vimal Bhandari	Investment in share capital	-	6,855,138
	Securities premium	-	82,344,000
	Remuneration paid*	33,463,652	48,487,993
	Expenses reimbursed	691,660	659,267
Shailesh Shirali	Investment in share capital	-	23,053,843
	Securities premium	-	276,923,040
	Remuneration paid*	52,139,372	48,997,036

*include bonus on accrual basis

II. Balance as at period end

(Amount in ₹)

Name of related party & nature of relationship	Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Holding Company			
IndoStar Capital (Mauritius)	Investment in share capital	711,026,350	713,696,350
	Securities premium	8,532,316,200	8,564,356,200
Key managerial personnel			
Vimal Bhandari	Investment in share capital	4,314,580	4,314,580
	Securities premium	51,774,960	51,774,960
Shailesh Shirali	Investment in share capital	2,636,150	5,969,150
	Securities premium	31,633,800	71,629,800

Note 26 - Contingent liabilities and Commitments

(Amount in ₹)

Capital and other commitments	As at March 31, 2017	As at March 31, 2016
Corporate guarantee given by Company to banks	629,080,000	-
Estimated amount of contracts remaining to be executed on capital account	-	18,347,580
Pending Litigation with Income Tax Authorities	-	255,032
Loans sanctioned not yet disbursed	3,124,404,852	3,392,530,921

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

Note 27 - Leases

In case of assets taken on lease

The Company has taken various office premises under operating lease. The lease payments recognized in the statement of profit & loss are ₹ 38,510,773 (March 31, 2016: ₹ 2,32,02,144). The non-cancellable operating lease agreements are for a period of 60 months. There are no restrictions imposed by lease arrangements. There are no sub leases.

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

Particulars	(Amount in ₹)	
	As at March 31, 2017	As at March 31, 2016
Minimum Lease Payments:		
Not later than one year	52,270,004	34,997,101
Later than one year but not later than five years	169,109,622	141,524,393
Later than five years	-	6,167,535

Note 28 - Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

Based on the intimation received by the Company, some of the suppliers have confirmed to be registered under "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Accordingly, the disclosures relating to amounts unpaid as at the year ended together with interest paid /payable are furnished below:

Particulars	(Amount in ₹)	
	As at March 31, 2017	As at March 31, 2016
The principal amount remaining unpaid to supplier as at the end of the year	-	-
The interest due thereon remaining unpaid to supplier as the end of the year	-	-
The amount of interest paid in terms of Section 16, along with the amount of payment made to the supplier beyond the appointment day during the year	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
The amount of interest accrued during the year and remaining unpaid at the end of the year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

Note 29 - Disclosures Pursuant to the MCA Notification dated March 30, 2017

Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016 as provided in the Table below:-

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	-	2,644	2,644
(+) Permitted receipts	-	321,836	321,836
(-) Permitted payments	-	(316,467)	(316,467)
(-) Amount deposited in Banks	-	-	-
Closing cash in hand as on 30.12.2016	-	8,013	8,013

NOTES

forming part of the consolidated financial statements for the year ended March 31, 2017

In the ordinary course of business, the loan borrowers of the Company have directly deposited cash amounting to ₹ 14,35,420 as part of their loan repayments in the collection bank accounts of the Company during the period from November 9, 2016 to December 30, 2016. The denomination wise details of which are currently not available with the Company. Accordingly, this amount has not been included in the table above.

Note 30 - Previous years comparative

Previous year / periods figures have been regrouped / rearranged, wherever considered necessary, to conform with Current year / periods presentation.

As per our report of even date

For **S R Batliboi & Co LLP**

ICAI Firm Registration No. 301003E/E300005

Chartered Accountants

per **Jayesh Gandhi**

Partner

Membership No. 37924

Place: Mumbai

Date: May 12, 2017

For and on behalf of the Board of Directors of

IndoStar Capital Finance Limited

R. Sridhar

Executive Vice-Chairman & CEO

DIN: 00136697

Pankaj Thapar

Chief Financial Officer

Place: Mumbai

Date: May 12, 2017

Dhanpal Jhaveri

Director

DIN: 02018124

Jitendra Bhati

Company Secretary

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

Part A Subsidiaries

1	Sl. No.	1	2
2	Name of the subsidiary	IndoStar Asset Advisory Private Limited	IndoStar Home Finance Private Limited
3	The date since when subsidiary was acquired	-	-
4	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1 April 2016 to 31 March 2017	1 April 2016 to 31 March 2017
5	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	INR	INR
6	Share capital	Authorised Capital: INR 10,00,000 Paid Up Capital: INR 100,000	Authorised Capital: INR 10,50,00,000 Paid Up Capital: INR 10,00,00,000
7	Reserves & surplus	INR 1,80,61,417	INR 53,23,267
8	Total Assets	INR 3,54,56,053	INR 10,54,64,593
9	Total Liabilities	INR 3,54,56,053	INR 10,54,64,593
10	Investments	Nil	Nil
11	Turnover	INR 3,72,41,359	-
12	Profit before taxation	INR 1,99,80,099	INR 61,69,698
13	Provision for taxation	INR 66,67,180	INR 19,06,437
14	Profit after taxation	INR 1,33,12,919	INR 42,63,261
15	Proposed Dividend	Nil	Nil
16	Extent of shareholding (in percentage)	100% by IndoStar Capital Finance Limited	100% by IndoStar Capital Finance Limited

Notes:

- IndoStar Home Finance Private Limited is yet to commence its Business operations.
- There were no subsidiaries which have been liquidated or sold during the year.

By the Order of the Board of Directors
For **IndoStar Capital Finance Limited**

R. Sridhar
Executive Vice-Chairman & CEO
DIN: 00136697

Dhanpal Jhaveri
Director
DIN: 02018124

Pankaj Thapar
Chief Financial Officer

Jitendra Bhati
Company Secretary

Place: Mumbai
Date: May 12, 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Dhanpal Jhaveri

Executive Vice-Chairman & CEO

Mr. R. Sridhar

Whole-Time Director

Mr. Shailesh Shirali

Non-Executive Directors

Mr. Alok Oberoi

Mr. Deepak Shahdadpuri

Mr. L. Brooks Entwistle

Mr. Sameer Sain

Ms. Shweta Bhatia

Mr. Vimal Bhandari

Non-Executive Independent Directors

Mr. Bobby Parikh

Mr. D. Sivanandhan

Mr. Eric Stuart Schwartz

Mr. Ravi Narain

CHIEF FINANCIAL OFFICER

Mr. Pankaj Thapar

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Jitendra Bhati

STATUTORY AUDITORS

S. R. Batliboi & Co. LLP

Chartered Accountants

INTERNAL AUDITORS

KPMG

CIN: U51909MH2009PLC268160

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Website: www.indostarcapital.com

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Axis Bank Limited

Bank of Baroda

Bank of India

Canara Bank

Corporation Bank

DCB Bank Limited

Dena Bank

HDFC Bank Limited

ICICI Bank Limited

IDBI Bank Limited

Indian Overseas Bank

IndusInd Bank Limited

Kotak Mahindra Bank Limited

Oriental Bank of Commerce

Punjab National Bank

RBL Bank Limited

State Bank of Bikaner and Jaipur

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Patiala

Syndicate Bank

The Federal Bank Limited

The South Indian Bank Limited

Indian Bank

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Indore