



**FEDBANK**

FINANCIAL SERVICES LIMITED

(A Wholly owned subsidiary of The Federal Bank Ltd.)

**FEDBANK FINANCIAL SERVICES LIMITED**

**ANNUAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2017**





**DIRECTORS'  
REPORT**

Dear Shareholders,

It is with great pleasure that your Directors present to you your Company's Twenty-Second Annual Report and audited financial statements for the year ended 31st March 2017.

**FINANCIAL PERFORMANCE:**

(Rs. In Cr.)

Financial Highlights	FY2017	FY2016
Total Revenue	134.62	89.48
Net Interest Income (NII)	71.24	54.31
Fees and Other Income	8.60	8.76
Operating Expenses	45.23	44.61
Profit Before Tax (PBT)	35.48	18.86
Net Profit	22.53	12.25
Appropriations:		
Transfer To Reserve Fund	4.51	2.45
Transfer To General Reserve	0.00	0.00
Transfer To Capital Reserve	0.00	0.00
Proposed Dividend	0.00	0.00
Balance Carried Over To Balance Sheet	18.02	10.45
Total Advances	998.16	634.74
Total Borrowings	724.87	402.57
Total Assets (Balance Sheet Size)	1011.29	641.94
Net Worth	230.46	207.93
Ratios:		
Return on Average Assets (%)	2.73	2.20
Return on Equity (%)	10.28	6.07
Earnings per share (Rs.)	1.19	0.64
Book Value per share (Rs.)	12.13	10.94
Cost to Income ratio (%)	54.96	69.15
Capital Adequacy Ratio (%)	22.98	32.81

**COMMENTARY:**

Your Company, now, is a diversified Non-Deposit-Taking & Systemically Important (ND-SI) NBFC; offering multiple credit facilities cover a gamut of SME-focused mortgage loans, loans against pledge of gold ornaments and structured finance. Your Company also distributes loan products of The Federal Bank Ltd.

Interest and Fees remain the main income streams of your Company. Interest costs, sourcing costs and operational costs are the main expenses.

The loan book of your Company has grown by 57% from Rs. 611 Crs. in FY16 to Rs. 962 Crs. in FY17, and thanks to rigorous risk management of the company, its lending book remains robust.

Total revenue for your company has grown by 50% from Rs. 89.48 Crs. in FY16 to Rs. 134.62 Crs. in FY17. Similarly, NII grew by 31% from Rs. 54.31 Crs. in FY16 to Rs. 71.24 Crs. in FY17. Along with a good growth in the loan book and income levels, your Company has managed to improve its cost to income ratios.

Total expenses grew only marginally by 13% from Rs. 45.20 Crs. in FY16 to Rs. 50.94 Crs. in FY17, and hence, the Cost to Income ratio continues to improve Y-o-Y from 69% in FY16 to 55% in FY17 (earlier 83% in FY15). Thus reflecting the outcome of improving productivity levels and success of cost management initiatives undertaken during the year.

PBT for the year improved to Rs. 35.48 Crs. as against Rs. 18.86 Crs. for FY16 (Y-o-Y growth of 88 %). Your Company remains confident of reinforcing its profitable growth strategies and business model in the years ahead.

Your Company's Gross and Net NPAs continue to remain low at 0.22% and 0.18% respectively, one of the lowest in the industry.

FY17 was an eventful year for your company. Your company began doing business in new markets such as Surat, Bangalore and Chennai for its SME focused mortgage loans to quickly establish a good foothold. These markets are expected to grow well in the years to come.

The gold loan business also showed a good turnaround with most branches turning profitable at the operating level and contributing to healthy NIM.

Under Structured Finance, your Company has adopted a strategy of a well-diversified portfolio across chosen geographies; and added good names to its loan book.

On the liabilities side, your company has successfully diversified its lines of credit from multiple reputed lenders. While it continues to draw credit lines from its Parent Bank, it has now also secured lines from other reputed lenders such as HDFC Bank, ICICI Bank, IDBI Bank, DCB Bank, SIDBI and Tata Capital Financial Services Ltd.

Its commercial paper also enjoys a very high level of acceptance among large mutual funds and banks. We are thankful to each and every one of these reputed institutions for their support in this endeavor.

## OUTLOOK

Your Company has accomplished technology upgrade in terms of loan on-boarding systems with a view to improving its customer-service quality and turnaround time TAT. The versatility of technology applications will enable your Company to introduce new products targeting the MSME segment and to leverage its branch infrastructure and readily-available customer base.

Existing gold loan branches will be re-engineered to service multiple loan asset products. Your Company will embark selectively on further branch expansion in select potential locations in Tier II and Tier III markets.

During the coming years your Company's focus will be to enhance fee income and revenue per employee.

## CAPITAL ADEQUACY:

Your Company's capital adequacy ratio stood at 22.98% as on March 31, 2017 comfortably above the threshold limit of 15% prescribed by the Reserve Bank of India. Tier-I Capital ratio alone stood at a healthy 22.65%.

## CREDIT RATING:

Your Company's short term borrowing program continues to enjoy the highest CRISIL rating of A1+, underscoring a strong ability to service in a timely manner, both interest and principal repayments. Similarly, CARE 'AA – rating' for its long term borrowings denotes a high degree of safety with regard to settlement of financial obligations.

## SHARE CAPITAL:

During the year under review, there was no change in the Authorised or Paid-up or Subscribed Capital as shown below:

Particulars	Authorised Capital	Issued Capital	Subscribed Capital	Paid Up Capital
Total number of equity shares	190,000,000	190,000,000	190,000,000	190,000,000
Total amount of equity shares (in Rs.)	1,900,000,000	1,900,000,00	1,900,000,000	1,900,000,000

## SHARES:

### BUY BACK OF SECURITIES

Your Company has not bought back any of its securities during the year under review.



### **SWEAT EQUITY**

Your Company has not issued any 'Sweat Equity Shares' during the year under review.

### **BONUS SHARES**

No Bonus Shares were issued during the year under review.

### **EMPLOYEES STOCK OPTION PLAN**

Your Company has not provided any Stock Option Scheme to the employees of the company during the year under review.

### **PUBLIC DEPOSITS:**

The Company is a Systemically Important Non-Deposit Taking NBFC and has not accepted any public deposits during the year under review and shall not accept any deposits from the public without obtaining prior approval of the Reserve Bank of India (RBI).

### **AMOUNT TRANSFERRED TO RESERVES:**

Your Board of Directors have proposed a transfer of Rs.4.5 Crores to the Statutory Reserve maintained under Section 451C of the RBI Act, 1934.

### **DIVIDEND:**

In order to retain the profits and build up its reserve funds; your Directors do not recommend any dividend for the year under review; so as to remain resilient.

### **RESOURCE MOBILIZATION:**

Your Company continues to diversify its funding sources and has obtained new credit lines from multiple new lenders during the year. It has also completed requisite formalities for raising debt through NCD issuance.

Your Company's Commercial Paper (CPs) continues to receive a strong response from various mutual funds and banks. Many new mutual funds and banks invested in the CPs of the company during the year.

As at 31st March 2017, aggregate borrowings of your Company stood at Rs 724.86 Cr as compared to Rs 402.57 Cr as at 31st March 2016.

### **ASSET-LIABILITY MANAGEMENT:**

Your Company follows a well-defined Asset Liability Management system, driven by Asset-Liability Committee (ALCO), to monitor efficiently and pursue appropriate policy initiatives.

Liquidity positions are examined regularly across the specified time- buckets to assess and manage mismatches. The ALM policy and practices of your Company are in line with the regulatory guidelines and best practices; designed to protect against liquidity as well as interest rate risk challenges and to optimize cost of funds at all times to fund growth requirements.

### **RISK MANAGEMENT & RISK MANAGEMENT POLICY:**

Your Company has a Board-approved Risk Management Policy that lays down the overall framework for identifying, assessing, measuring and monitoring various elements of risk involved in the businesses and for formulation of procedures and systems for mitigating such risks. The main objective of this policy is to ensure sustainable and prudent business growth.

The function is supervised by a Board Risk Committee which reviews the asset quality and portfolio composition on a regular basis. Any product policy programs are duly approved by this Committee.

Your Company has adopted and laid down sound operating procedures and guidelines to mitigate operational and fraud risks in its business lines.

Close monitoring and timely auctions have prevented any instance of principal waivers or interest write-backs in gold loans. Gold auction realizations continue to remain at ~98% of market value, one of the highest in industry.

An independent credit audit has been instituted to review the mortgage and structured finance loans to assist management to embrace rigorous processes and adopt best practices.

Your Company continues to invest in people, processes, training and technology; so as to strengthen its overall Risk Management Framework.

**HUMAN RESOURCE – TALENT POOL – PERFORMANCE MANAGEMENT:**

Your Company recognizes that the quality and experience of employees will determine its sustained success. During the year, your Company has taken up several employees-focused programs to recognize and reward its excellent performers, identify its talent pool and institute a career progression plan.

A separate analytics team is in place to monitor employee level productivity, so as to identify support parts and improve contribution. As it builds scale, a structured training framework is also being put in place to build functional as well as managerial expertise and build a customer-centric approach.

As on 31st March 2017, your Company had 579 employees on its payroll and the average age of employees is 32 years.

**BOARD OF DIRECTORS:****i) Composition:**

As on 31st March 2017, your Company's Board consists of four Directors as follows:

- Mr. Suresh Kumar (DIN: 00494479), Chairman & Independent Director
- Mr. Dilip Sadarangani (DIN: 06610897), Nominee Director
- Mrs. Gauri Rushabh Shah (DIN: 06625227), Independent Director
- Mr. Shyam Srinivasan (DIN: 02274773), Non Executive Director

During the year under review, Mr. Ujwal Thakar (DIN: 02333399) resigned from directorship of your Company w.e.f August 5th, 2016.

We wish to place on record the contributions made by Mr. Ujwal Thakar during his tenure as director with the company.

Mr. Shyam Srinivasan, Director (DIN: 02274773), is due to retire by rotation at the forthcoming Annual General Meeting. As per the Articles of Association of the Company and the provision of the Companies Act, 2013, Mr. Shyam Srinivasan being eligible, offers himself for re-appointment. Necessary resolution for this purpose is being proposed in the Notice of the ensuing Annual General Meeting for approval by the members.

**ii) No. of Meetings held during the year:**

During the FY 2016-17, your Board of Directors met nine times and the gap between any two meetings was less than one hundred and twenty days.

The dates on which the meetings were held are:

Sr. No.	Date
1	6th April 2016
2	27th April 2016
3	27th May 2016
4	6th July 2016
5	25th July 2016
6	31st August 2016
7	20th October 2016
8	20th January 2017
9	27th March 2017

iii) Attendance record of each Director and other details for FY 2016-17:

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year are given herein below.

Name of Director	Category	No. of Meetings attended
Mr. Suresh Kumar	Chairman & Independent Director	9
Mr. Dilip Sadarangani	Nominee Director	9
Mrs. Gauri Rushabh Shah	Independent Director	9
Mr. Shyam Srinivasan	Non Executive Director	7
Mr. Ujwal Thakar	Independent Director	5*

\*Mr. Ujwal Thakar ceased to be the Director of the company w.e.f 5th August 2016.

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 164(2) of the Companies Act, 2013.

#### AUDIT COMMITTEE:

##### i) Composition:

As on 31st March 2017, the Audit Committee of Board consists of three Directors as follows:

- Mrs. Gauri Rushabh Shah (DIN: 06625227)—Chairperson
- Mr. Suresh Kumar (DIN: 00494479)
- Mr. Dilip Sadarangani (DIN: 06610897)

The constitution of the Committee is in compliance with the regulatory requirements.

The Committee members are financially literate and have the necessary accounting and relevant financial technical management experience. During the year, all the recommendations of the Audit Committee were accepted by the Board.

##### ii) No. of Meetings held during the year:

During the FY 2016-2017, the Audit Committee of the Board met 5 times as follows:

Sr. No.	Date
1	27th April 2016
2	25th July 2016
3	20th October 2016
4	14th February 2017
5	27th March 2017

##### iii) Attendance record of Audit Committee for FY 2016-17:

The names, designation and categories of the Directors on the Audit Committee, their attendance at the Meetings held during the year are given herein below.

Name of Director	Designation in the Committee	Category	No. of Meetings attended
Mrs. Gauri Rushabh Shah	Chairperson	Independent Director	5
Mr. Suresh Kumar	Member	Independent Director	5
Mr. Dilip Sadarangani	Member	Nominee Director	5

**NOMINATION & REMUNERATION COMMITTEE:****i) Composition:**

As on 31st March 2017, the Nomination & Remuneration Committee of Board consists of three Directors as follows:

- Mr. Dilip Sadarangani (DIN: 06610897)- Chairman
- Mr. Suresh Kumar (DIN: 00494479)
- Mrs. Gauri Shah (DIN: 06625227)

The Committee was reconstituted once during the year and the constitution of the Committee is in compliance with the regulatory requirements.

**ii) No. of Meetings held during the year:**

During the FY 2016-2017, the Nomination & Remuneration Committee of the Board met 4 times as follows:

Sr. No.	Date
1	6th April 2016
2	27th April 2016
3	7th October 2016
4	9th December 2016

**iii) Attendance record of Nomination & Remuneration Committee for FY 2016-17:**

The names, designation and categories of the Directors on the Nomination & Remuneration Committee, their attendance at the Meetings held during the year are given below.

Name of Director	Designation in the Committee	Category	No. of Meetings attended
Mr. Dilip Sadarangani	Chairman	Nominee Director	4
Mr. Suresh Kumar	Member	Independent Director	4
Mrs. Gauri Rushabh Shah	Member	Independent Director	2
Mr. Ujwal Thakar	Member	Independent Director	2*

\* Mr. Ujwal Thakar ceased to be the Director of the company w.e.f 5th August 2016.

**iv) Policy on Directors, KMPs & Other Employees Appointment & Remuneration including Criteria as per Section 178 of the Companies Act 2013:**

The Nomination & Remuneration policy of your Company is to ensure an appropriate mix of executive and independent directors; so as to maintain the independence of the Board, and separate its functions of governance and management.

As on March 31, 2017, the Board consisted of 4 members. All the Board members are non-executive directors and two are independent directors.

The Nomination & Remuneration Committee identifies and recommends appointment to the Board, based on, the integrity, qualifications, expertise and experience of the persons for appointment as Director.

Similarly review of candidate for any positions that are KMP or at Senior Management level.

The Remuneration Policy of the Company reflects a good focus on enhancing value and attracting and retaining quality staff members with requisite knowledge and excellence - both as Executive and Non-Executive Directors or KMP / Senior Management for achieving overall objectives of the Company.

The Nomination Committee decides on the qualifications, expertise and experience possessed by a person, so as to be adequate for the concerned position.

Pursuant to the provisions of the Companies Act, 2013, a Policy on Appointment & Remuneration of Directors, Key Managerial Personnel, Senior Management and other employees has been formulated; including criteria for determining qualifications, positive attributes, independence of a Director and other matters as required under the said Act.

Nomination and Remuneration Policy of the Company is as per Appendix-I of this Report. The said policy is also made available on the website of the Company ([www.fedfina.com](http://www.fedfina.com))— under its corporate governance link.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:**

In accordance with the provisions of Section 135 of the Companies Act, 2013 (the Act), the Board of Directors of the Company have constituted the Corporate Social Responsibility (CSR) Committee.

The Committee has approved and recommended to the Board, the amount of expenditure to be incurred on CSR activities. The Committee also framed a transparent monitoring mechanism for implementation of CSR projects or programs or activities undertaken by the Company and also monitors CSR policy from time to time.

#### **i) Composition:**

As on 31st March 2017, the CSR Committee of Board consists of four Directors as follows:

- Mr. Dilip Sadarangani (DIN: 06610897)—Chairman
- Mr. Suresh Kumar (DIN: 00494479)
- Mrs. Gauri Shah (DIN: 06625227)
- Mr. Shyam Srinivasan (DIN: 02274773)

The constitution of the Committee is in compliance with the regulatory requirements.

#### **ii) No. of Meetings held during the year:**

During the FY 2016-2017, the CSR Committee of the Board met only 1 time.

The date on which the meeting was held is as follows:

Sr. No.	Date
1	9th December 2016

#### **iii) Attendance record of CSR Committee for FY 2016-17:**

Names, designations and categories of the Directors on the CSR Committee, their attendance at the Meeting held during the year are given below.

Name of Director	Designation in the Committee	Category	No. of Meetings attended
Mr. Dilip Sadarangani	Chairman	Nominee Director	1
Mr. Suresh Kumar	Member	Independent Director	1
Mrs. Gauri Shah	Member	Independent Director	1
Mr. Shyam Srinivasan	Member	Non Executive Director	0

#### **iv) CSR Activities & Its Reporting:**

The CSR policy of your Company has been characterized for its active participation in various social, welfare and charitable projects all over the country. The CSR policy of the company prescribes the areas and geographies so that your Company can make a meaningful impact in these focus geographies.

During the year under review, your Company spent Rs. 31.84 lakhs on corporate social responsibility (CSR) activities.

Annual Report on Corporate Social Responsibility (CSR) Activities pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014 is set out in Appendix-II.

### **RISK MANAGEMENT COMMITTEE:**

#### **i) Composition:**

As on 31st March 2017, the Risk Management Committee of Board consists of three Directors as follows:

- Mr. Suresh Kumar (DIN: 00494479)—Chairman
- Mr. Dilip Sadarangani (DIN: 06610897)
- Mrs. Gauri Shah (DIN: 06625227)

The Committee was reconstituted once during the year and the constitution of the Committee is in compliance with the regulatory requirements.



**ii) No. of Meetings held during the year:**

During the FY 2016-2017, the Risk Management Committee of the Board met three times as follows:

Sr. No.	Date
1	20th June 2016
2	20th October 2016
3	27th March 2017

**iii) Attendance record of Risk Management Committee for FY 2016-17:**

Names, designations and categories of the Directors on the Risk Management Committee, their attendance at the Meeting held during the year are given below.

Name of Director	Designation in the Committee	Category	No. of Meetings attended
Mr. Suresh Kumar	Chairman	Independent Director	3
Mr. Dilip Sadarangani	Member	Nominee Director	3
Mrs. Gauri Shah	Member	Independent Director	2
Mr. Ujwal Thakar	Member	Independent Director	1*

\* Mr. Ujwal Thakar ceased to be the Director of the company w.e.f 5th August 2016.

**CREDIT COMMITTEE:****i) Composition:**

As on 31st March 2017, the Credit Committee of Board consists of three Directors as follows:

- Mr. Suresh Kumar (DIN: 00494479)—Chairman
- Mr. Shyam Srinivasan (DIN: 02274773)
- Mr. Dilip Sadarangani (DIN: 06610897)

The Committee was reconstituted once during the year.

**ii) No. of Meetings held during the year:**

During the FY 2016-2017, the Credit Committee of the Board met nine times as follows:

Sr. No.	Date
1	27th May 2016
2	20th June 2016
3	25th July 2016
4	30th September 2016
5	27th October 2016
6	9th December 2016
7	26th December 2016
8	23rd February 2017
9	27th March 2017

**iii) Attendance record of Credit Committee for FY 2016-17:**

Names, designations and categories of the Directors on the Credit Committee, their attendance at the Meetings held during the year are given below.

Name of Director	Designation in the Committee	Category	No. of Meetings attended
Mr. Suresh Kumar	Chairman	Independent Director	8
Mr. Shyam Srinivasan	Member	Non Executive Director	7
Mr. Dilip Sadarangani	Member	Nominee Director	6
Mr. Ujwal Thakar	Member	Independent Director	3*

\* Mr. Ujwal Thakar ceased to be the Director of the company w.e.f 5th August 2016.

#### IT & DIGITIZATION COMMITTEE:

During the year under review, the Board approved the constitution of Board Committee for IT & Digitization comprised Mr. Dilip Sadarangani & Mrs. Gauri Shah, Directors of the Company. Terms of reference of the Committee inter alia includes strategizing IT & Digitization related plans of the Company, including approving IT related Capex and Opex.

##### i) Composition:

As on 31st March 2017, the IT & Digitization Committee of Board consists of two Directors as follows:

- Mr. Dilip Sadarangani (DIN: 06610897) (Chairman)
- Mrs. Gauri Shah (DIN: 06625227)

##### ii) No. of Meetings held during the year:

During the FY 2016-2017, the IT & Digitization Committee of the Board met three times as follows:

Sr. No.	Date
1	9th January 2017
2	28th January 2017
3	10th March 2017

##### iii) Attendance record of IT & Digitization Committee for FY 2016-17:

Names, designations and categories of the Directors on the IT & Digitization Committee, their attendance at the Meetings held during the year are given below.

Name of Director	Designation in the Committee	Category	No. of Meetings attended
Mr. Dilip Sadarangani	Chairman	Nominee Director	3
Mrs. Gauri Rushabh Shah	Member	Independent Director	3

#### KEY MANAGERIAL PERSONNEL (KMP):

Pursuant to approval of the Members of the Company at their Annual General Meeting held on August 11, 2016, Mr. Shardul Kadam (PAN: ALFPK7412G) was appointed as Manager of the Company for a period of five years with effect from 28th October, 2015 on terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee and approved by the Board. Following persons have been designated as Whole Time KMP of the Company.

1. Mr. Shardul Kadam, Manager;
2. Mr. Sudeep Agrawal, Chief Financial Officer;
3. Mr. Ankit Kawa, Company Secretary.

During the year under review, there were no changes in the composition of the Whole Time KMP of the company.

#### SEPARATE MEETING OF THE INDEPENDENT DIRECTORS:

Both the Independent Directors attended the Meeting held on 27th March 2017, the following issues were discussed in detail:

- I) Reviewed the performance of the Nominated directors and the Board as a whole;
- II) Reviewed the performance of the Chairperson of the Company, in his absence by taking into account the views of all the Non-Executive Directors;
- III) Assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board as necessary for the Board to functioning effectively and to perform their duties.

**DECLARATION FROM INDEPENDENT DIRECTORS:**

The Independent Directors have submitted the declarations of independence, as required under section 149(7) of the Companies Act, 2013, stating that they meet the criteria of independence as provided in section 149(6) of the Companies Act, 2013.

As on 31st March, 2017, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:-

1. Mr. Suresh Kumar (DIN:00494479)
2. Mrs. Gauri Rushabh Shah (DIN:06625227)

**THE CHANGE IN THE NATURE OF BUSINESS, IF ANY:**

There was no change in the nature of business of the Company during the financial year ended 31st March, 2017.

**BOARD EVALUATION:**

Pursuant to the provisions of the Companies Act, 2013, evaluation of the performance of individual Directors (including the Chairman of the Board) were conducted on parameters such as level of engagement and contribution and independence of judgment - thereby safeguarding the interests of the Company.

The performance evaluation of the Independent Directors were carried out by the entire Board, excluding the director being evaluated. The performance evaluation of the Chairman, the Non-Independent Directors and board as a whole were carried out by the Independent Directors. Further, the performance evaluation of every Directors were carried out by the Nomination & Remuneration Committee.

The Board also carried out annual performance evaluation of the working of its Audit, Nomination and Remuneration, Credit and Risk Management Committees.

The Directors expressed their satisfaction with the evaluation process. All the Non-executive and Independent Directors are eminent personalities having wide experience in the field of business, industry and administration. Their presence on the Board is advantageous to your Company in taking well-informed and prudent business decisions.

**AUDITORS:****1. STATUTORY AUDITORS & THEIR REPORT**

M/s Varma and Varma, Chartered Accountants (Firm Registration No.004532S) were appointed as Statutory Auditors of your Company at the Twenty First Annual General Meeting (AGM) held on August 11, 2016 from the conclusion of the said AGM till conclusion of Twenty Sixth Annual General Meeting. As per the provisions of Section 139 of the Companies Act, 2013, the appointment of Statutory Auditors is required to be ratified by members at every Annual General Meeting.

Accordingly, the appointment of M/s Varma and Varma, as Statutory Auditor of the Company is placed for ratification by the shareholders at the ensuing Annual General Meeting.

The Statutory Auditor's Report does not contain any qualifications, reservations or adverse remarks.

**2. SECRETARIAL AUDITORS & THEIR REPORT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed SVJS & Associates, Company Secretaries to undertake the secretarial audit of the Company for the FY 2016-17.

The Secretarial Audit Report submitted by Company Secretary in Practice is set out in Appendix-III.

The Secretarial Auditor's Report does not contain any qualifications, reservations or adverse remarks.

**3. INTERNAL AUDITORS**

During the year under review, M/s. S.C Mehra & Associates (Membership No. 109477, Firm Regn. No. 106156W), Chartered Accountants, and M/s. Niranjana S Karmarkar & Associates (Membership No. 117112, Firm Regn. No. 126236W), Chartered Accountants, have been appointed as Internal Auditors of your Company and their reports were reviewed by the Audit Committee from time to time.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

Your Company maintains a system of robust internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequate safeguards for assets, reliability of financial controls and compliance with the applicable laws and regulations.

The Company has in place effective systems to ensure that its assets are safeguarded against loss due to unauthorised use or disposition and that all transactions are authorised, recorded and reported. It has further strengthened its system controls by implementing robust loan management systems.

Your Company's internal audit department reports into the Audit Committee of the Board of Directors of the Company and conducts periodic and comprehensive audits of functional areas and operations of the Company to examine the adequacy of and compliance with policies, plans and statutory requirements.

During the year, your Company's control framework was tested and no reportable material weaknesses in the design or operation were identified.

#### **INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY:**

During the year, your Company had engaged a reputed firm of Chartered Accountants to evaluate the internal financial control framework and test its effectiveness.

Based on the testing conducted by the firm, the Company has adequate internal financial controls commensurate with the nature and size of its business operations; that operating effectively and no material weaknesses exist.

The deficiencies reported to the Management do not constitute material weaknesses.

Your Company has a process in place to continuously monitor internal controls and identify deficiencies, if any, and implement new and/or improved controls to limit any adverse effects on the Company's operations.

The said evaluation and testing was carried out in line with the general guidelines of the Institute of Chartered Accountants of India.

#### **RELATED PARTY TRANSACTIONS:**

All related party transactions entered into during the financial year were examined by the Board Audit Committee and found to be on an arm's length basis and in the ordinary course of business.

Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form are provided in the form AOC-2 in accordance with the rule 8 (2) of the Companies (Accounts), 2014 Rules. Form AOC-2 is set out in Appendix-IV.

#### **FRAUD REPORTING:**

Pursuant to the Board approved 'Fraud Risk Management and Fraud Investigation Policy' of the Company, information relating to all frauds of Rs. 1 Lakh and above are reported promptly to the Board and quarterly reviews are placed before the Board for their information.

During the year under review, there were five instances of fraud of Rs.1 lakh and above that were reported to the Board as well as to the Reserve Bank of India (RBI). Cumulative amount of these frauds was Rs. 9.36 lakhs.

During the year under review, there were no frauds reported by the Statutory Auditors to the Board Audit Committee or to the Board under section 143(12) of the Companies Act, 2013.

#### **MATERIAL EVENT SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENT:**

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013:**

Pursuant to Section 186(11) (a) of the Companies Act, 2013 (the 'Act') read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loan made, guarantee given or security provided in the ordinary course of business by a Non- Banking Financial Company (NBFC) registered with Reserve Bank of India are exempt from the applicability of provisions of Section 186 of the Act.

As such, the particulars of loans and guarantee have not been disclosed in this Report. Details are given in the Notes to the Financial Statements.

**DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS:**

There have been no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

**SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES:**

The Company does not have any subsidiary, joint venture or associate Company.

**DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT 2013 READ WITH RULES:**

The Company has an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and dealt with during the year 2016-17:

- No. of complaints received: Nil
- No. of complaints disposed off: Not Applicable.

**RBI GUIDELINES:**

As a Systemically Important Non-Deposit taking Non-Banking Finance Company, your Company operates in strict compliance with applicable RBI laws and regulations.

The Reserve Bank of India vide circular no: DNBS.CC.PD.No.356/03.10.01/2013-14 dated 16th September 2013 directed all NBFCs (excluding PDs) to disclose in their Annual Reports details of the auctions conducted during the financial year including the number of loan accounts, the outstanding amounts, the amount or value realized and whether any of its sister concerns participated in the auction.

These details are set out below:

Year	No. of Loan Accounts	Principal Amount outstanding at the dates of auctions (A)	Interest Amount outstanding at the dates of auctions (B)	Total (A+B)	Total value fetched
2016-17	2154	7.34	0.97	8.31	10.55

Note: No entity within the Company's group including any holding or associate company or any related party had participated in any of the above auctions.

**VIGIL MECHANISM:**

Your Company has established a 'Policy on Vigil Mechanism' for employees and directors to report to the appropriate authorities any and all concerns about unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct policy and provides safeguards against victimization for such employees as may avail of this mechanism and they are also provided with direct access to the Chairperson of the Audit Committee.

The said policy is available on the website of your Company at ([www.fedfina.com](http://www.fedfina.com)) under Corporate Governance link.

Your Company affirms that no personnel has been denied access to the Audit Committee.

**EXTRACT OF ANNUAL RETURN:**

The details forming part of the extract of the Annual Return in form MGT 9 is set out in Appendix-V



#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirements of Section 134 (5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby stated:

- a. that in the preparation of the annual financial statements for the year ended March 31, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. that such accounting policies as mentioned in Notes to the Financial Statements have been selected and applied consistently; and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken 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. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

#### **PARTICULARS OF EMPLOYEES:**

Your Company had no employees drawing salary in excess of the limits specified in section 197 of the Companies Act 2013 read with Rule 5(2) and rule 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- a) Employed throughout the year: Nil
- b) Employed for part of the year: Nil

#### **PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE INFLOW/OUTFLOW, ETC.:**

The requirements of disclosure with regard to Conservation of Energy in terms of Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules 2014, are not applicable to the Company; as it does not own any manufacturing facility.

However, the Company makes all efforts towards conservation of energy, protection of environment and ensuring safety.

No foreign exchange was earned or spent in terms of actual inflows or outflows during the year under review.

#### **ACKNOWLEDGEMENT:**

Your Directors acknowledge and place on record their sincere appreciation, to the employees of the Company at all levels for their dedicated service and commitment.

Your Company is grateful to the Reserve Bank of India (RBI) and other governmental and regulatory authorities for their continued guidance.

The Board also wishes to express its appreciation for the support and consideration given to the Company by its lending institutions, rating agencies and other stakeholders.

#### **CAUTIONARY NOTE:**

Statements made in this Report may contain certain forward-looking statements; based on various assumptions on the Company's present and future business strategies and the environment in which it operates.

Actual results may differ, going forward, somewhat substantially or materially from those expressed or implied due to inherent risks and uncertainties.

For and on behalf of the Board of Directors of  
Fedbank Financial Services Limited  
Sd/-

Date: April 19, 2017

Mumbai

**Suresh Kumar**  
Chairman  
DIN:00494479

## Nomination and Remuneration Policy of Fedbank Financial Services Limited

### INTRODUCTION:

At all levels and all times monetary compensation has been if not the sole, the most important motivational criteria for getting the job fulfilled under any given business scenario. It is the endeavor of Fedbank Financial Services Limited (Fedfina) ("Company") that its Nomination & Remuneration Policy should represent the mode in which the Company carries out its business practices i.e. fair, transparent, inclusive and flexible. The Management is responsible for the positive influence on the workplace and recruitment practices and for promoting and fostering fairness to all employees. The Company does not discriminate on the grounds of age, gender, colour, race, ethnicity, language, caste, creed, economic or social status or disability and considers human resources as its vital resource. The Company strives that its Remuneration Policy should attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The intention of the Company through this policy is to pay equitable remuneration to all Directors, Key Managerial Personnel, Senior Management and other employees of the company and to evaluate the performance of Directors (including Independent Directors), Key Managerial Personnel and Senior Management.

Therefore, in pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel and Employees of the company, to harmonize the aspirations of human resources consistent with the goals of the company, this Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 of the Listing Agreement, as amended from time to time. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee and has been approved by the Board of Directors.

### OBJECTIVE OF THE POLICY:

The Key Objectives of this policy are:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel, Senior Management and other employees.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, Key Managerial Personnel, Senior Management and other employees.
- To Formulate a criteria for evaluation of Independent Directors and the Board.
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- To devise a plan/policy on Board Diversity.
- To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel, Senior Management and other employees.
- To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To develop a succession plan for the Board and to regularly review the plan.
- To assist the Board in fulfilling responsibilities.
- To Implement and monitor policies and processes regarding principles of corporate governance.

### DEFINITIONS:

'Act' means the Companies Act, 2013 and rules thereunder including any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force;

'Board of Directors' or 'Board', in relation to the Company, means the collective body of the directors of the Company;

'Committee' means the Nomination and Remuneration committee of the Company, constituted and re-constituted by the Board from time to time in accordance with the provisions of the Act;

'Company' means Fedbank Financial Services Limited (Fedfina);

'Directors' means the directors of the Company;

'Independent Director' means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made thereunder and any other applicable laws for the time being in force;

'Key Managerial Personnel' (the "KMP") shall mean "Key Managerial Personnel" as defined in Section 2(51) of the Act;

'Other employees' means all the employees other than the Directors, KMPs and the Senior Management;

'Policy or This Policy' means, Nomination and Remuneration Policy

'Remuneration' means any money or its equivalent given or passed to the Directors, KMPs, Senior Management and other employees for services rendered by them and includes perquisites as defined under the Income-tax Act, 1961;

'Senior Management' means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads as defined in the Companies Act, 2013.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013, Listing Agreement and/ or any other SEBI Regulation(s) as may be amended from time to time shall have the meaning respectively assigned to them therein..

#### **CONSTITUTION OF THE COMMITTEE:**

The Board of Directors of the Company (the Board) shall constitute the committee to be known as the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half are independent directors. The Chairman of the Committee is Non-executive Director. However, the Chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

#### **FREQUENCY OF MEETINGS:**

The meeting of the Committee shall be held at regular intervals as deemed fit and appropriate. The Company Secretary of the Company shall act as the Secretary of the Committee. The Chairman of the Committee or in his absence any other member of the Committee authorized by him on his behalf shall attend general meetings of the Company.

#### **COMMITTEE MEMBERS' INTERESTS:**

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

#### **VOTING:**

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

#### **MINUTES OF COMMITTEE MEETING:**

Proceedings of all meetings must be documented and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

#### **NOMINATION DUTIES:**

The duties of the Committee in relation to nomination matters include:

- Ensuring that there is an appropriate induction & training program in place for new Directors and members of Senior Management and reviewing its effectiveness.
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013.
- Identifying and recommending Directors who are to be put forward for retirement by rotation.



- Determining the appropriate size, diversity and composition of the Board.
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board.
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan.
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective.
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee.
- Recommend any necessary changes to the Board.
- Considering any other matters as may be requested by the Board.

#### Remuneration Duties:

The duties of the Committee in relation to remuneration matters include:

- To consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- To approve the remuneration of the Senior Management including KMP of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- To delegate any of its powers to one or more of its members or the Secretary of the Committee
- To consider any other matters as may be requested by the Board.

#### GENERAL:

This Policy is divided in two parts:-

PART-I covers the Criteria for Selection of Candidates for Senior Management and Members on the Board of Directors;

PART-II covers the Appointment, Removal, Retirement and Remuneration of Directors, Key Managerial Personnels and Other Employees.

#### **PART-I: POLICY ON THE CRITERIA FOR SELECTION OF CANDIDATES FOR SENIOR MANAGEMENT AND MEMBERS ON THE BOARD OF DIRECTORS**

In accordance with the provisions of Section 178 of the Companies Act, 2013, the Committee is responsible for formulating the criteria for identification, selection of the candidates fit for the various positions in senior management and who are qualified to be appointed as directors on the Board of Directors of the Company.

The Committee has requested to adopt the following criteria for selection of candidates eligible to be appointed in the senior management of the Company and also member on the Board of Directors of the Company and recommend the same to the Board for approval.

##### **1. Criteria for selection of Senior Management:**

For the appointment of KMP (other than Managing Director/Manager) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment. Further, for administrative convenience, for the appointment of Senior Management, the Managing Director/Manager is authorised to identify and appoint a suitable person for such position.

However, if the need be, the Managing Director/Manager may consult the Committee / Board for further directions / guidance.

In case of appointment of Managing Director/Manager, the committee shall, before making any recommendation to the Board for appointment, consider the attributes of the candidate set forth below:

- The candidate should have a required level of qualification and experience in any of the areas viz. banking, infrastructure, financial management, legal, sales, marketing, administration, research, corporate governance, technical operations or such other areas or disciplines which in the opinion of the management and Committee are relevant for the Company's business;
- The candidate should possess the positive attributes such as leadership skills, decision making skills, effective communication,

commitment and such other attributes which in the opinion of the Committee the candidate should possess in the interest of the Company.

## **2. Criteria for Selection of Directors:**

The Committee shall, before making any recommendation to the Board for appointment of any director, consider the following:

- the candidate should possess the positive attributes such as Leadership, Industrialist, Business Advisor or such other attributes which in the opinion of the Committee the candidate should possess in the interest of the Company;
- the candidate should be free from any disqualifications as provided under Sections 164 and 167 of the Companies Act, 2013;

## **PART-II: THE POLICY ON APPOINTMENT, REMOVAL, RETIREMENT AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

The Committee identifies and ascertains the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommends his / her appointment, as per Company's Policy.

The intent of this is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive or Non-Executive Directors, KMP or Senior Management for achieving overall objectives of the Company. Further the Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position. The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals.

While deciding the policy on remuneration of Directors and KMP, the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013 and Articles of Association of the company.

### **A. Appointment and Remuneration of Managing Director or Manager:**

#### **Term/Tenure:**

The term of office and remuneration of Managing Director/Manager are subject to the approval of the Board of Directors, shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

The Company shall appoint or re-appoint any person as its Managing Director or Manager for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

The Chairperson of the Committee or in his absence, any other member of the Committee authorized by him in this behalf shall attend the general meetings of the Company.

#### **Remuneration:**

The remuneration to the Managing Director/Manager comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Gratuity, Leave Encashment, etc., as per Rules of the Company. Salary is paid within the range approved by the Shareholders.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Manager are entitled to customary & non-monetary benefits such as company cars, communication facilities, club fees etc., as per policies of the Company subject to approval by the Board.

Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director or Manager in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

The Committee shall ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.

### **B. Appointment and Remuneration of KMP or Senior Management:**

#### **Tenure & Remuneration:**

Appointment and Remuneration of KMP (excluding the MD/Manager) and/or Senior Management shall be governed by HR Policy of the company which inter alia includes following:

The remuneration is divided into two components viz. fixed component comprising of salaries, perquisites and retirement benefits and a variable component comprising of performance bonus.

The remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individual's performance vis-à-vis KRAs/ KPIs, industry benchmark and current compensation trends in the market.

The Managing Director/Manager will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned herein-above, whilst recommending the annual increment and performance incentive to the Committee for its review and approval.

However, in case of KMP, appointment and payment of Remuneration is subject to approval by the Board on recommendation of the Committee.

### **C. Appointment and Remuneration of the Non- Executive Director/ Independent Director:**

#### **Tenure:**

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Companies Act, 2013.

#### **Remuneration:**

Remuneration may be payable to the Non-Executive Directors (NEDs) by way of Commission and Sitting Fees. In terms of the shareholders' approval, the Commission may be paid at a rate not exceeding 1% (one percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013. The distribution of Commission amongst the NEDs shall be placed before the Board, if any through recommendation of the Committee.

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed ₹ One Lac per meeting of the Board or Committee or such amount as may be approved by the Board and prescribed by the Central Government from time to time. Further, the Independent Directors may charge reimbursement of expenses for participation in the Board Meeting and for conducting separate meetings of the Independent Directors.

The Committee shall ensure that remuneration to Directors, KMP and senior management involves a balance between fixed and incentive pay reflecting short and long- term performance objectives appropriate to the working of the Company and its goals.

### **D. Appointment and Remuneration of Other employees:**

The Company has a separate HR policy relating to appointment and remuneration of the other employees which is administered by the HR wing of the Company.

Apart from the Directors, KMP and Senior Management, the remuneration for the rest of the employees is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

The Committee shall ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

### **E. REMOVAL**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

## **F. RETIREMENT**

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act 2013 and the prevailing HR policy of the Company.

### **BOARD DIVERSITY:**

The Board shall consist of such number of Directors, including at least one women Director and not less than fifty percent of the Board of Directors comprising non-executive directors, as is necessary to effectively manage the Company of its size. When the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and in case the Company does not have a regular non-executive Chairman or in case the regular non-executive Chairman is a promoter of the Company, at least half of the Board comprise independent directors.

The Committee will lead the process for Board appointments. All Board appointments will be based on the skills, diverse experience, independence and knowledge which the Board as a whole requires to be effective. The Committee shall seek to address Board vacancies by actively considering candidates that bring a diversity of background and opinion from amongst those candidates with the appropriate background and industry or related expertise and experience. The candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Additionally the Board may consider appointment of experts from various specialized fields such as finance, law, etc. so as to bring diversified skill sets on board or succeed any outgoing director with the same expertise.

### **POLICY REVIEW:**

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.

### **DISCLOSURES**

This policy shall be disclosed in the Board's report as required under the Companies Act, 2013.

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/Manager and KMP shall also be disclosed in the Board's Report.

**Appendix-II:****THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014]

**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.**

Kindly refer the Corporate Social Responsibility policy as stated herein below at the Company's website.

The Weblink is: <http://www.fedfina.com/files/CSR%20Policy.pdf>

**2. The Composition of the CSR Committee as on March 31, 2017**

- Mr. Dilip Sadarangani (DIN: 06610897): Chairman
- Mr. Suresh Kumar, (DIN: 00494479): member
- Mrs. Gauri Rushabh Shah (DIN: 06625227): Member
- Mr. Shyam Srinivasan (DIN: 02274773): Member

**3. Average net profit of the company for last three financial years: Rs.8,06,89,571.70/-**

**4. Prescribed CSR Expenditure (2% of the amount as in item No. 3 above): Rs.16,13,791.43/-**

**5. Details of CSR spent during the financial year 2016-17:**

(a) Total amount to be spent for the financial year 2016-17: Rs.31.84Lakhs (includes Rs.15.70 Lakhs c/f from last FY)

(b) Amount unspent, if any: Nil

(c) Manner in which the amount is spent is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector In which The Project IsCovered.	Projects or programs 1) Local area or other 2) Specify the State and district where projects or programs was undertaken.	Amount outlay (budget) project or programs wise.	Amount spent on the projects or programs Sub-heads: 1) Direct on projects or programs- 2) Overheads:	Cumulative Expenditure up to the reporting Period.	Amount spent Direct or through implementing Agency.
1	Promotion of Education	Education	Chennai	10	10	10	Implementing Agency: Aspire Foundation
2	Healthcare	Eradicating hunger	PAN India	21.84	21.84	21.84	Implementing Agency: The Akshaya Patra Foundation
<b>Total</b>				<b>31.84</b>	<b>31.84</b>	<b>31.84</b>	

**6. In case the Company fails to spend the 2% of the average net profit of the last 3 financial years, the reasons for not spending the amount shall be stated in the Board Report.: Not Applicable**

**7. Responsibility statement, of the CSR Committee, that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company duly signed by Director and Chairperson of the CSR Committee.**

The CSR Committee hereby confirms that the implementation and monitoring of CSR policy is in compliance with CSR objectives, Policy of the Company and in accordance with the provisions of the Companies Act, 2013.

**For Fedbank Financial Services Limited**

**Shardul Kadam**  
President

**Dilip Sadarangani**  
Chairman-CSR Committee  
DIN: 06610897

**Suresh Kumar**  
Chairman  
DIN: 00494479



### Appendix-III:

#### Form No. MR-3

#### SECRETARIAL AUDIT REPORT

#### FOR THE FINANCIAL YEAR ENDED 31.03.2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
Fedbank Financial Services Limited  
Federal Towers, Always  
Ernakulam -683101

We, SVJS & Associates, Company Secretaries, have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **FEDBANK FINANCIAL SERVICES LIMITED**[CIN: **U65910KL1995PLC008910**] (hereinafter called the company). 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 **FEDBANK FINANCIAL SERVICES LIMITED**'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 31.03.2017 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 **FEDBANK FINANCIAL SERVICES LIMITED** ("the Company") for the financial year ended on 31.03.2017 according to the provisions of:

- (i) The Companies Act, 2013 and the Rules made there under;
- (ii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (iii) The following Regulations and Guidelines prescribed specifically applicable to Non Banking Financial Companies (Non Deposit Taking):
  1. Master Circular – Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008 dated July 01, 2015 and Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 dated September 29, 2016.
  2. Guidelines for Asset Liability Management (ALM) system in Non Banking Financial Companies.
  3. Master Circular – Frauds – Future approach towards monitoring of frauds in NBFCs dated July 01, 2015 and Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 dated September 29, 2016
  4. Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016
  5. Prevention of Money Laundering Act, 2002 and Rules made thereunder.
  6. Master Circular - Fair Practices Code dated July 01, 2015
  7. Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 dated July 01, 2015
  8. Master Circular - Miscellaneous Instructions to all Non-Banking Financial Companies dated July 01, 2015
  9. Master Direction - Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 dated March 27, 2015 and Master Direction - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016
  10. Master Circular - Returns to be submitted by NBFCs dated July 01, 2015 and Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 dated September 29, 2016.

11. Revised Regulatory Framework for Non Banking Financial Companies
12. Reserve Bank of India Act, 1934

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

(i) Secretarial Standards 1 and 2 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, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted. All the Directors of the Company are Non- executive Directors. The Company has Independent Directors as per the provisions of the Companies Act, 2013. 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.

There were no dissenting views on any decisions of the Board, as recorded in the Minutes of Board meetings.

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 and guidelines.

**We further report that** during the audit period there were no instances of:

- (i) Public/Right/Preferential issue of shares / debentures/sweat equity.
- (ii) Redemption / buy-back of securities
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013
- (iv) Merger / amalgamation / reconstruction
- (v) Foreign technical collaborations

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.

**For SVJS & Associates  
Company Secretaries**

sd/-

**CS.sivakumar p.  
Managing Partner  
CP No:2210, FCS:3050**

Kochi  
19.04.2017



## **ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE**

To  
The Members,  
Fedbank Financial Services Limited  
Federal Towers, Alwaye  
Ernakulam -683101

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March 2017 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

Kochi  
19.04.2017

**For SVJS & Associates**  
**Company Secretaries**  
sd/-

**CS Sivakumar P**  
**Managing Partner**  
**CP No:2210, FCS:3050**



**Appendix-IV:****Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL

- (a) Name(s) of the related party and nature of relationship: N.A.
- (b) Nature of contracts /arrangements/transactions: N.A.
- (c) Duration of the contracts/arrangements/transactions: N.A.
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A.
- (e) Justification for entering into such contracts or arrangements or transactions: N.A.
- (f) Date(s) of approval by the Board: N.A.
- (g) Amount paid as advances, if any: N.A.
- (h) Date on which the special resolution was passed in general meeting as required under the first proviso to section 188: N.A.

2. Details of material contracts or arrangement or transactions at arm's length basis:

- (a) Name(s) of the related party and nature of relationship: Refer "Note 1"
- (b) Nature of contracts /arrangements/transactions: Refer "Note 1"
- (c) Duration of the contracts/arrangements/transactions: Refer "Note 1"
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Refer "Note 1"
- (e) Justification for entering into such contracts or arrangements or transactions: Competitive pricing and value of services rendered.
- (f) Date(s) of approval by the Board: N.A.
- (g) Amount paid as advances, if any: N.A.

Note 1:

Name of the related party	Nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions *	Value (Rs. In '000)
The Federal Bank Ltd	Holding Company	Fixed Deposits – Interest Income	1 year	Interest at applicable coupon rate.	24
The Federal Bank Ltd	Holding Company	Commission Income	24 months	Commission received during the year for normal business Transactions.	9,976
The Federal Bank Ltd	Holding Company	Cash credit Facility and Term Loan- Interest Paid	1 year	Interest paid at contractual interest rate.	158,278
The Federal Bank Ltd	Holding Company	Reimbursement of Expenses	-	Collection employee cost and other expenses -at actual	1,834



The Federal Bank Ltd	Holding Company	Rent paid	36 months	Use of office space – at market rates.	309
The Federal Bank Ltd	Holding Company	Discount on Commercial Paper	Various maturities	At market price	45,367
The Federal Bank Ltd	Holding Company	Income from Distribution Business	12 months	Reimbursement of Expenses	53,313

\*Maintained at arm's length similar to third party contracts.

**For and on behalf of the Board of Directors**

**Date: 19th April 2017**

**Place: Mumbai**

**Suresh Kumar**

**Chairman**

**DIN: 00494479**

**Appendix-V:****Form MGT- 9**

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

**Extract of the Annual Return as on the financial year ended on March 31, 2017:****I. REGISTRATION AND OTHER DETAILS:**

CIN	U65910KL1995PLC008910
Registration Date	17.04.1995
Name of the Company	FEDBANK FINANCIAL SERVICES LIMITED
Category / Sub-Category of the Company	Public Company, Limited by Shares, Non-govt Company,NBFC
Address of the Registered Office, Corporates office and contact details	Registered Office: Federal Towers, Alwaye, Ernakulam, Kerala-683101, Tel: 0484 2634411. Corporate office: Unit No.105, Corporate Avenue, E Wing, 1st Floor, Guru Hargovindaji Marg, Chakala, Andheri-East, Mumbai-400 093 Contact Details : Tel: 022-61480500, Fax: 022-61480545 Email ID: customercare@fedfina.com Website: www.fedfina.com
Whether listed company	No
Name, Address and contact details of Registrar& Transfer Agents (RTA), if any	Not Applicable

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

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 Services (Lending)	649	93.79%

**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	THE FEDERAL BANK LTD Federal Towers, PB No: 103, Aluva, Ernakulam, Kerala-683101.	L65191KL- 1931PLC000368	Holding	100%	Section 2(46) of Companies Act, 2013

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### (i) Category-wise Share Holding

Category of Share-holders	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	Demat	Physical	Total	% of Total	
A. Promoters									
1) Indian									
a) Individual / HUF	-	405	405	0.001	-	405	405	0.001	Nil
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	189,999,595	189,999,595	99.99	-	189,999,595	189,999,595	99.99	Nil
f) Any Other...	-	-	-	-	-	-	-	-	-
Sub-total (A) (1) :-	-	190,000,000	190,000,000	100	-	190,000,000	190,000,000	100	Nil
2) Foreign									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
Sub-total (A) (2) :-	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	<b>190,000,000</b>	<b>190,000,000</b>	<b>100</b>	-	<b>190,000,000</b>	<b>190,000,000</b>	<b>100</b>	<b>Nil</b>
B. Public Shareholding									
1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1) :-	-	-	-	-	-	-	-	-	-
2) Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individuals shareholders holding nominal share capital upto Rs.1 lakh	-	-	-	-	-	-	-	-	-

ii) Individuals shareholders holding nominal share capital in excess of Rs.1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Custodians / Clearing member	-	-	-	-	-	-	-	-	-
NRIs	-	-	-	-	-	-	-	-	-
Sub-total(B)(2) :-	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>190,000,000</b>	<b>190,000,000</b>	<b>100</b>	-	<b>190,000,000</b>	<b>190,000,000</b>	<b>100</b>	<b>Nil</b>

**(ii) Shareholding of Promoters:**

SI No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1st April 2016)			Shareholding at the end of the year (As on 31st March 2017)			% 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	The Federal Bank Ltd	189999595	99.99	Nil	189999595	99.99	Nil	Nil
2	Mr. Shyam Srinivasan jointly with the Federal Bank Ltd	200	0.00	Nil	200	0.00	Nil	Nil
3	Mr. Mohanachandran KR jointly with the Federal Bank Ltd	100	0.00	Nil	100	0.00	Nil	Nil
4	Mr. KI Varghese jointly with the Federal Bank Ltd	1	0.00	Nil	1	0.00	Nil	Nil
5	Mr. Ashutosh Khajuria jointly with the Federal Bank Ltd	1	0.00	Nil	1	0.00	Nil	Nil
6	Mr. Sampath D jointly with the Federal Bank Ltd	1	0.00	Nil	1	0.00	Nil	Nil
7	Mr. Girish Kumar Ganapathy jointly with the Federal Bank Ltd	1	0.00	Nil	1	0.00	Nil	Nil
8	Mr. Antu Joseph jointly with the Federal Bank Ltd	100	0.00	Nil	100	0.00	Nil	Nil
9	Mr. Sunny K P jointly with the Federal Bank Ltd	1	0.00	Nil	1	0.00	Nil	Nil
	<b>Total</b>	<b>190000000</b>	<b>100</b>		<b>190000000</b>	<b>100</b>		<b>Nil</b>

**(iii) Change in Promoters' Shareholding:**

Sl. No.		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
1	At the beginning of the year	190000000	100	190000000	100
2	Data wise Increase / Decrease in Promoters Shareholding during the Year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat / equity etc.)	No changes during the year			
3	At the end of the year	190000000	100	190000000	100

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

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		(01/04/2016)		(01/04/2016 to 31/03/2017)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Mr. Shyam Srinivasan</b>				
	DIN: 02274773				
	Opening Balance as on 01/04/2016	200	0.000105		
	Closing Balance as on 31/03/2017			200	0.000105

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding / accrued but not due for payment as on March 31, 2017:

(Rs. in Crore)

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	352.57	50	-	402.57
ii) Interest due but not paid	0.94	-	-	0.94
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>353.51</b>	<b>50.00</b>	-	<b>403.51</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	2606.57	1510.00	-	4116.57
• Reduction	2581.95	1210.00	-	3791.95
<b>Net Change</b>	<b>24.62</b>	<b>300.00</b>	-	<b>324.62</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	374.87	350.00	-	724.87
ii) Interest due but not paid	3.21	-	-	3.21
iii) Interest accrued but not due	0.05	-	-	0.05
<b>Total (i+ii+iii)</b>	<b>378.13</b>	<b>350.00</b>	-	<b>728.13</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

## A. Remuneration to Managing Director, Whole-time Directors and/or Manager :

Sl. No.	Particulars of Remuneration	Mr. Shardul Kadam, Manager	Total Amount (Rs. in Lakhs)
1	Gross Salary		
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	61.40	61.40
	b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0	0.00
	c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0.00
2	Stock Option	0	0.00
3	Sweat Equity	0	0.00
4	Commission	0	0.00
	: as % of profit		
	: others, specify.....		
5	Others, please specify	0	0.00
	Total(A)	61.40	61.40
	<b>Ceiling as per the Act</b>		<b>~109.9</b>

## B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Mr. Ujwal Thakar (Ceased to be Director w.e.f.5.08.2016)	Mr. Suresh Kumar	Mrs. Gauri Shah	Mr. Dilip Sdarangani	Mr. Shyam Srinivasan	Total Amount
1	Independent Directors						
	• Sitting Fees for attending board / committee meetings	4.30	11.00	7.70	-	-	23.00
	• Commission	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-
	Total(1)	4.30	11.00	7.70	-	-	23.00
2	Other Non-Executive Directors						
	• Sitting Fees for attending board / committee meetings	-	-	-	10.30	-	10.30
	• Commission	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-
	Total(2)	-	-	-	10.30	-	10.30
	<b>Total(B)=(1+2)</b>	<b>4.30</b>	<b>11.00</b>	<b>7.70</b>	<b>10.30</b>	<b>-</b>	<b>33.30</b>
	Total Managerial Remuneration	Directors are paid only sitting fees for attending the board and committee meetings. Pursuant to Section 197 of the companies act, 2013 sitting fees do not form part of managerial remuneration. Accordingly it should be noticed that no managerial remuneration is paid to any director.					
	Overall sitting fees Ceiling as per the Act	Rs. 1 lakh per meeting	Rs. 1 lakh per meeting	Rs. 1 lakh per meeting	Rs. 1 lakh per meeting	Rs. 1 lakh per meeting	Rs. 1 lakh per meeting

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

Sl. No.	Particulars of Remuneration	Mr. Sudeep Agrawal, Chief Financial Officer	Mr. Ankit Kawa, Company Secretary	Total Amount (Rs. in Lakhs)
1	Gross Salary			
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	28.99	5.72	34.71
	b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0	0	0.00
	c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0	0.00
2	Stock Option	0	0	0.00
3	Sweat Equity	0	0	0.00
4	Commission	0	0	0.00
	: as % of profit			
	: others, specify.....			
5	Others, please specify	0	0	0.00
	<b>Total</b>	<b>28.99</b>	<b>5.72</b>	<b>34.71</b>

### 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
<b>A. COMPANY</b>					
Penalty			Nil		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			Nil		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			Nil		
Punishment					
Compounding					

For and on behalf of the Board of Directors of  
Fedbank Financial Services Limited

Date: April 19, 2017  
Place: Mumbai

sd/-  
**Suresh Kumar**  
Chairman  
DIN: 00494479





To,  
The Members,  
Fedbank Financial Services Limited

### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **M/s Fedbank Financial Services Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the 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 and presentation 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 the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone 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 there under.

We conducted our audit in accordance with the Standards on Auditing 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 standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone financial statements that give 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 Company's Directors, as well as evaluating the overall presentation of the standalone 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 aforesaid 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 and its profit and its cash

flows for the year ended on that date;

### Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A, a statement on the matters specified in Paragraphs 3 and 4 of the said Order.

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 purposes of our audit, read with paragraph (iv), as mentioned 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, the Statement of Profit and Loss and the 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, 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 B'; and
- 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 27 to the financial statements.
  - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses
  - iii. there were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company and
  - iv. The Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, as mentioned in Note 33 to the standalone financial statements, in the absence of denomination wise details of cash transactions, we could not obtain sufficient and appropriate audit evidence to report on whether all the disclosures are in accordance with the books of account maintained by the company at its various branches.

For VARMA & VARMA  
Chartered Accountants  
FRN 004532S

Place: Mumbai  
Date: 19.04.2017

Abraham Baby Cherian  
Partner  
M No. 218851

**ANNEXURE A TO THE AUDITORS' REPORT**

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements of M/s Fedbank Financial Services Limited for the year ended March 31, 2017, we report that:

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner annually. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- c. The Company does not own any immovable property, thus, paragraph 3(i)(c) of the Order is not applicable to the Company.
- ii. The Company does not have any inventory and hence the reporting requirement contained in clause 3(ii) of the Order regarding inventory are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013, thus, paragraph 3(iii)(a) to 3(iii)(c) of the Order are not applicable to the Company.
- iv. According to the information and explanation given to us, and based on the audit procedures conducted by us, the Company has not given loans, guarantees, investments or securities which fall under the purview of Sections 185 & 186 of the Companies Act, 2013 made.
- v. The Company has not accepted deposits in accordance with directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under are not applicable to the Company.
- vi. As per the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under sub-section (l) of section 148 of the Companies Act, 2013.
- vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, value added tax, service tax, cess have been regularly deposited during the year by the Company with the appropriate authorities.  
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, service tax, cess were in arrears as at March 31, 2017.
- b. According to the information and explanations given to us, there are no material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.
- viii. According to the information and explanations given to us and as per our verification of the records of the Company, the Company has not defaulted in repayment of its loans or borrowings to a financial institution or bank. The Company has not borrowed any amount from Government or debenture holders.
- ix. The Company has not raised any money by way of Initial Public Offer or further public offer (including debt instruments), and with respect to term loans availed by the Company, they have been applied for the purpose for which such loans were obtained. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x. According to the information and explanations given to us and the records of the Company examined by us, during the year the Company has reported to the Reserve Bank of India instances of fraud against the Company by others, where stolen gold had been pledged against loans granted by the company, involving amounts aggregating to INR 1,236 Thousands.  
We are informed that legal action for recovery has been initiated in all cases. Provision has been made in the books of account towards the amounts involved.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are generally in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is registered under section 45-IA of the Reserve Bank of India Act 1934.

For **VARMA & VARMA**  
Chartered Accountants  
FRN 004532S

**Abraham Baby Cherian**  
Partner

Place: Mumbai  
Date: 19.04.2017

M No. 218851

## ANNEXURE - B TO THE AUDITORS' REPORT

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

We have audited the internal financial controls over financial reporting of M/s Fedbank Financial Services Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the 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 ('ICAI'). 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 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.

### Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, 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 judgment, 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 Company's 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 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 **VARMA & VARMA**

Chartered Accountants

FRN 004532S

**Abraham Baby Cherian**

**Partner**

M No. 218851

Place: Mumbai

Date: 19.04.2017



Balance Sheet as at March 31, 2017

(INR in Thousands)

Particulars		Note No.	As at March 31, 2017	As at March 31, 2016
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholder's Funds</b>			
(a)	Share Capital	3	1,900,000	1,900,000
(b)	Reserves and Surplus	4	404,635	179,336
<b>2</b>	<b>Non-Current Liabilities</b>			
(a)	Long Term Borrowings	5.1	2,039,368	1,317,500
(b)	Other Long Term liabilities	5.2	1,498	-
(c)	Long-Term Provisions	6	22,251	10,174
<b>3</b>	<b>Current Liabilities</b>			
(a)	Short-Term Borrowings	7	4,416,942	2,458,167
(b)	Trade Payables	8		
	- Total Outstanding dues of Micro Small & Medium Enterprises		-	-
	- Total Outstanding dues other than Micro Small & Medium Enterprises		9,271	10,512
(c)	Other Current Liabilities	9	1,296,035	528,016
(d)	Short-Term Provisions	10	22,946	15,690
	<b>TOTAL</b>		<b>10,112,946</b>	<b>6,419,395</b>
<b>II.</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-Current Assets</b>			
(a)	Fixed Assets			
	(i) Tangible Assets	11	25,985	34,301
	(ii) Intangible Assets	12	2,580	2,340
	(iii) Capital Work-in Progress		185	-
(b)	Deferred Tax Assets (Net)	13	28,624	26,118
(c)	Long-Term Loans and Advances	14	5,313,571	3,075,821

<b>2</b>	<b>Current Assets</b>			
(a)	Trade Receivables	15	12,211	7,266
(b)	Cash and Bank Balances	16	49,539	41,397
(c)	Short-Term Loans and Advances	17	4,668,063	3,229,121
(d)	Other Current assets	18	12,188	3,031
	<b>TOTAL</b>		<b>10,112,946</b>	<b>6,419,395</b>
<b>Corporate Information &amp; Significant Accounting Policies</b>		<b>1-2</b>		
<b>Other Notes to Accounts</b>		<b>25-35</b>		

For and on behalf of Board of Directors

As per our report of even date attached

Suresh Kumar  
**Chairman**  
DIN:00494479

**For Varma & Varma**  
Chartered Accountants  
FRN 004532S

Gauri Rushabh Shah  
**Director**  
DIN: 06625227

Shyam Srinivasan  
**Director**  
DIN: 02274773

Abraham Cherian  
Partner  
M.No 218851

Shardul Kadam  
**President**

Sudeep Agrawal  
**CFO**

Ankit Kawa  
**Company Secretary**  
M.No.A44317

Place: Mumbai  
Date: 19/04/2017

Place: Mumbai  
Date: 19/04/2017



**FEDBANK FINANCIAL SERVICES LIMITED**

**Statement of Profit and Loss for the year ended March 31, 2017**

(INR in Thousands)

Particulars	Note No.	Year Ended March 31, 2017	Year Ended March 31, 2016
<b>Revenue:</b>			
Revenue from Operations	19	1,325,822	880,336
Other Income	20	20,335	14,476
<b>Total Revenue</b>		<b>1,346,157</b>	<b>894,812</b>
<b>Expenses:</b>			
Employee Benefit Expenses	21	255,860	213,603
Finance Costs	22	482,027	254,187
Depreciation/Amortization Expense		17,402	27,255
Provisions & write offs	23	15,726	12,178
Other Expenses	24	220,366	198,975
Total Expenses		991,381	706,198
<b>Profit / (Loss) before Tax</b>		<b>354,776</b>	<b>188,614</b>
<b>Tax Expense:</b>			
Current tax		131,985	72,172
Deferred Tax (Gain) [Refer Note 13]		(2,507)	(6,100)
<b>Profit/(Loss) for the Year</b>		<b>225,298</b>	<b>122,542</b>
<b>Earnings Per Equity Share</b>			
Basic and Diluted (Face value of INR 10 per share)	24	1.19	0.64
<b>Corporate Information &amp; Significant Accounting Policies</b>	<b>1-2</b>		
<b>Other Notes to Accounts</b>	<b>25-35</b>		

For and on behalf of Board of Directors

As per our report of even date attached

**For Varma & Varma**

Chartered Accountants

FRN 004532S

Suresh Kumar

**Chairman**

DIN:00494479

Abraham Cherian

Partner

M.No 218851

Gauri Rushabh Shah

**Director**

DIN: 06625227

Shyam Srinivasan

**Director**

DIN: 02274773

Shardul Kadam

**President**

Sudeep Agrawal

**CFO**

Ankit Kawa

**Company Secretary**

M.No.A44317

Place: Mumbai

Date: 19/04/2017

Place: Mumbai

Date: 19/04/2017

## FEDBANK FINANCIAL SERVICES LIMITED

### Cash Flow Statement of Profit and Loss for the year ended March 31, 2017

(INR in Thousands)

Particular	Year Ended March 31, 2017	Year Ended March 31, 2016
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit before tax as per Statement of Profit &amp; Loss</b>	<b>354,776</b>	<b>188,614</b>
<b>Adjustments for</b>		
Finance Costs	474,118	249,681
Interest on fixed deposits with Federal Bank	23	(1,411)
Provision for Standard Assets	15,345	7,341
Provision for Loss Assets	338	1,089
Provision for Sub Standard Asset	(201)	2,001
Provision for Doubtful Debts	245	-
Depreciation	17,402	27,255
Interest from Debentures	-	(3,597)
Interest on Income Tax Refunds	(2,296)	(818)
Insurance Claim Received	-	(1,443)
Loss on sale of tangible assets	78	2,203
Profit on Sale Of Mutual Fund units (Net)	(473)	(1,114)
Lease equalisation charge	1,498	
Provision for Impairment of Tangible Assets	-	1,746
Operating Profit before Working Capital changes	<b>860,852</b>	<b>471,547</b>
<b>Adjustments for Working Capital Changes</b>		
Trade Receivables	(4,945)	4,738
Short-term Loans and Advances	(1,444,392)	(816,045)
Other Current Assets	(9,779)	(397)
Long term Loans & Advances	(2,255,468)	(1,080,436)
(Increase)/ Decrease in Receivables	(3,714,584)	(1,892,140)
Long-term Provisions	12,077	5,461
Trade Payables	(1,241)	1,016
Other Current Liabilities	225,926	165,206
Short-term Provisions	(8,470)	(4,632)
Increase/(Decrease) in Trade/Other payables	<b>228,292</b>	<b>167,051</b>
Cash generated from Operations	(2,625,440)	(1,253,542)
Insurance Claim Received	-	1,443
Interest on Income Tax Refunds	2,296	818
Taxes (paid) / refunded	(108,816)	(69,001)
<b>Cash Flow before extraordinary items</b>	<b>(2,731,960)</b>	<b>(1,320,282)</b>
<b>Net Cash inflow / (outflow) from Operating Activities</b>	<b>(2,731,960)</b>	<b>(1,320,282)</b>
<b>Cash Flow from Investment Activities</b>		
Purchase of tangible assets	(10,521)	(7,825)

Sale of tangible assets	650	1,018
Interest on fixed deposits	599	1,118
Investment in NCD	-	141,604
Profit on Sale Of Mutual Fund units (Net)	473	1,114
Interest from Debentures	-	3,597
<b>Net Cash inflow / (outflow) from Investment Activities</b>	<b>(8,798)</b>	<b>140,626</b>
<b>Cash Flow from Financing Activities</b>		
Interest Expenses	(474,118)	(249,681)
Short Term Borrowing	1,958,775	183,208
Long Term Borrowing	721,868	1,040,000
Current Maturities of Long Term Borrowing	542,376	180,000
<b>Net Cash inflow / (outflow) from Financing activities</b>	<b>2,748,901</b>	<b>1,153,527</b>
<b>Net increase / (decrease) in cash and cash Equivalents</b>	<b>8,142</b>	<b>(26,130)</b>
Opening Balance of Cash and Cash Equivalents	41,397	67,527
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>49,539</b>	<b>41,397</b>

Note:

1) The above Cash Flow Statement have been prepared under indirect method set out in Accounting Standard (AS)-3 Cash Flow Statement in accordance with the accounting standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

2) All figures in brackets indicate outflows.

For and on behalf of Board of Directors

As per our report of even date attached

**For Varma & Varma**

Chartered Accountants

FRN 004532S

Suresh Kumar

**Chairman**

DIN:00494479

Abraham Cherian

Partner

M.No 218851

Gauri Rushabh Shah

**Director**

DIN: 06625227

Shyam Srinivasan

**Director**

DIN: 02274773

Shardul Kadam

**President**

Sudeep Agrawal

**CFO**

Ankit Kawa

**Company Secretary**

M.No.A44317

Place: Mumbai

Date: 19/04/2017

Place: Mumbai

Date: 19/04/2017

## FEDBANK FINANCIAL SERVICES LIMITED

### Significant Accounting Policies and Notes to Accounts

#### 1) CORPORATE INFORMATION

The Company was incorporated on 17th April 1995 and a subsidiary of The Federal Bank Ltd. The Company was registered as a Non banking Financial Company(NBFC) on 24th August 2010. The Company is into the business of lending mainly against Gold and Property, Wholesale Lending and also distributes retail loan/insurance products for a fee. The Company currently operates through 99 locations mainly spread across South India, 8 locations of Distribution vertical shared between LAP and Wholesale Lending business. The Company is presently categorized as a Systemically important non-deposit taking non-banking financial company (NBFC-ND-SI) in accordance with the guidelines of Reserve Bank of India.

#### 2) SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of preparation of accounts

Financial Statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 2013 and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI.

##### 2.2 Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles in India requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and revenue and expenses. Actual results could differ from those estimates. The management believes that the estimates used in the preparation of the Financial Statements are prudent and reasonable.

##### 2.3 Revenue Recognition

Revenue is recognized as and when it is earned and no significant uncertainty exists as to its realization or collection. Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Direction,2016" and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.

Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty. Processing Fees & Penal Charges are recognized on receipt basis.

##### 2.4 Tangible Assets and Depreciation

###### (a) Tangible Assets:

Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes Freight, duties, taxes and other incidental expenses and expenses on installation of the assets. In respect of assets acquired during the year, depreciation/amortisation is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

###### (b) Intangible Assets:

Intangible assets include computer software which are acquired, capitalized and amortized on an Straight Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

##### 2.5 Employee Benefits

###### Short Term Employee Benefits:-

- (a) All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and the undiscounted amounts are recognized as expenses in the Profit & Loss Statement of the year in which the related services are rendered.

**Defined Contribution Plan :**

- (b) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit & Loss for the Year.

**Defined Benefit Plan:**

- (c) The net present value of the obligation for gratuity benefits , which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Statement of Profit & Loss for the period in which they occur.
- (d) The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Statement for the period in which they occur.

**2.6 Taxes on Income**

- (i) Income tax is accounted in accordance with Accounting Standard on Accounting for Taxes on Income (AS-22), which includes current taxes and deferred taxes. Provision for current tax is made based on the tax payable under the Income Tax Act, 1961.
- (ii) Deferred tax on account of timing difference between taxable and accounting income that originates in one period and are capable of reversal in one or more subsequent period, are accounted using the tax rates and the tax laws enacted or substantively enacted by the balance sheet date. Deferred tax assets in respect of unabsorbed depreciation or carried forward losses are recognised if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised to the extent there is reasonable certainty of their realisation.

**2.7 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalized. Other borrowing costs are recognized as expenditure for the period in which they are incurred.

**2.8 Impairment of Assets**

The company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. As asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. Based on such assessment, impairment loss, if any, is charged to the Profit & Loss Statement in the period in which, an asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**2.9 Provisions, Contingent Liabilities and Contingent Assets:**

- i. Provisions are recognised when the company has a present obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the correct management estimates.
- ii. Secured Loans are classified/ provided for, as per the management's best estimates, subject to the minimum provision required as per systematically important Non Banking Financial (Non Deposit Accepting or holding) companies prudential norms (Reserve Bank) Directions, 2016.

Other loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per the systemically important Non Banking Financial (Non Deposit Accepting or holding) companies prudential norms (Reserve Bank) Directions, 2016.

Contingent Liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash flow will not be required to settle the obligation.

Contingent assets are neither recognised nor disclosed in the accounts.

### 2.10 Advances:

Advances are classified as Performing Assets and Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to Non-banking Financial "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Direction,2016 ".

### 2.11 Segment Reporting:

The company has classified its operations into three segments – Distribution (retail loan/insurance products),Retail Finance and Whole sale Finance. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses and other assets and liabilities are apportioned on appropriate basis.

### 2.12 Earnings Per Share

The company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on "Earnings per Share". Basic earnings per share are computed by dividing the net Profit or Loss for the year attributable to equity share holders (after deducting attributable taxes) by the weighted average number of Equity Shares outstanding during the period.

Diluted earnings per share are computed by dividing the net Profit or Loss for the year attributable to equity share holders (after deducting attributable taxes)by the weighted average number of Equity Shares outstanding during the period as adjusted for the effects of all diluted potential Equity Shares outstanding as at the year end.

### 2.13 Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortised during the relevant accounting period. Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

**FEDBANK FINANCIAL SERVICES LIMITED****Notes to the financial statements for the year ended March 31, 2017****3. Share Capital**

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Authorised:</b> 19,00,00,000 (Previous Year 19,00,00,000) Equity Shares of INR. 10 each	1,900,000	1,900,000
<b>Issued, subscribed and paid up:</b> 19,00,00,000 (Previous Year 19,00,00,000) Equity Shares of INR. 10 each Fully Paid Up	1,900,000	1,900,000
	<b>1,900,000</b>	<b>1,900,000</b>

**(a) Reconciliation of the number of Equity shares outstanding and amount of share capital at the beginning and at the end of the year**

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number of Shares	Rupees	Number of Shares	Rupees
Share outstanding as at the beginning of the year	190,000,000	1,900,000,000	190,000,000	1,900,000,000
Changes during the year	-	-	-	-
<b>Share outstanding as at the end of the year</b>	<b>190,000,000</b>	<b>1,900,000,000</b>	<b>190,000,000</b>	<b>1,900,000,000</b>

**(b) Rights, preferences and restrictions attached to shares**

The Company has only one class of Equity shares having face value of INR 10 each/- per share. Each holder of Equity shares is entitled to one vote per share. All of the above shares are held by the Holding Company, The Federal Bank Ltd and its nominees. In the event of liquidation of the company, the holders of Equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity shares held by the shareholders.

**(c) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company**

Particulars	As at March 31, 2017	As at March 31, 2016
Equity Shares Equity Shares Held by holding company - Federal Bank Limited (Including 405 shares held by nominees)	190,000,000	190,000,000
Percentage of holding	100%	100%

#### 4. Reserves and Surplus

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>(a) Reserves</b>		
<b>(i) Statutory Reserve</b>		
Balance at the beginning of the year	73,839	49,331
Add: Transferred from surplus in Statement of Profit & Loss (Refer Note 4.1)	45,060	24,508
	<b>118,899</b>	<b>73,839</b>
<b>ii) General Reserve</b>		
Balance at the beginning of the year	1,033	1,033
	<b>1,033</b>	<b>1,033</b>
<b>iii) Surplus in the Statement of Profit and Loss</b>		
Balance as at the beginning of the year	104,464	6,431
Net Profit for the year	225,298	122,542
Less : Appropriations Transfer to Statutory Reserve (Refer Note 4.1)	(45,060)	(24,508)
	<b>284,703</b>	<b>104,464</b>
<b>Total of Reserves &amp; Surplus</b>	<b>404,635</b>	<b>179,336</b>

4.1. Statutory Reserve represents the Reserve fund created under Section 45-IC of the Reserve Bank of India Act, 1934. During the current financial year an amount of INR 45,060 thousands (previous year INR 24,508 thousands ) has been transferred to the said reserve for the year.

#### 5.1 Long Term Borrowings

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured Loans (Refer notes 5.1.1 and 5.1.2)</b>		
<b>Term Loan From Banks:</b>		
<b>From Related parties :</b>		
Federal Bank (Holding Company)	950,000	1,150,000
<b>From Others:</b>		
HDFC Bank	707,043	167,500
DCB Bank	104,547	-
ICICI Bank	177,778	-
SIDBI	50,000	-
<b>Term Loan From Others:</b>		
TATA Capital Financial Services Ltd	50,000	-
	<b>2,039,368</b>	<b>1,317,500</b>



**Note 5.1.1**

Nature of Borrowing & Terms of Repayment	Rate of Interest	Details of Security Offered
<b>Federal Bank :</b> Term Loan I-INR 100 Crs is repayable in 20 quarterly equal installments of INR 5 Crores each beginning from 25th June, 2015 and ending on 25th March, 2020. Term Loan II- INR 100 Crs is repayable in 16 quarterly installments of INR 6.25 Crs after moratorium of 12 months beginning from 29th May 2017 and ending on 28th February 2021.	Interest Rates in the range of 8.50% to 10.50%	First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)
<b>HDFC Bank :</b> Term Loan I- Repayment Schedule : Quarterly instalment of INR 1 Cr beginning from 03rd December, 2015 and ending on 03rd September, 2020 and Quarterly installment of INR 0.25 Cr beginning from 28th March 2015 and ending on 28th December, 2019 Term Loan II - Repayment Schedule : One instalment of INR 2.05 crs on 13th July, 2017 and Quarterly installment of INR 2.94Crs beginning from 13th October, 2017 and ending on 13th July, 2021 Term Loan III - Repayment Schedule : Quarterly installment of INR 2.22Crs beginning from 27th March 2018 and ending on 27th March, 2020 - 3 years		First Pari passu charge by way of hypothecation of Loan Against Property receivables
<b>DCB Bank:</b> Repayment Schedule : One installment of INR 0.83Crs on 31st December 2016 and Quarterly Instalments from INR 1.74Crs beginning from 31st March 2017 and ending on 30th September, 2019		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)
<b>ICICI Bank :</b> Repayment Schedule : Quarterly installment of INR 1.11Crs beginning from 31st December 2017 and ending on 31st March, 2022, 18 quarterly instalments commencing after 6 months of moratorium period		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)
<b>SIDBI:</b> Repayment Schedule : Quarterly installment of Rs 2.50Crs beginning from 10th October 2017 and ending on 10th July 2018, 20 quarterly instalments of INR 2.5 Crs each commencing after 6 months.		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)
<b>TATA Capital Financial Services Ltd :</b> Repayment Schedule : Quarterly installment of INR 1.00 Crs beginning from 25th February 2017 and ending on 25th May, 2019 10 equal quarterly instalments after the moratorium period of 6 months		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)

Note 5.1.2 There has been no default as on Balance Sheet date in repayment of loans and interest.

**5.2 Other Long Term Liabilities**

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
Lease Equalisation Credit	1,498	-
	<b>1,498</b>	-

**6. Long Term Provisions**

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Provision for employee benefits (Refer Note 21.1)</b>		
Provision for Compensated Absences	932	301
Provision for Gratuity	2,864	814
	<b>3,796</b>	<b>1,115</b>
Contingent Provision Against Standard Assets (Refer Note 10.3)	18,455	9,059
	<b>22,251</b>	<b>10,174</b>

## 7. Short Term Borrowings

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured Loans</b>		
<b>Loans Repayable on demand from Banks :</b>		
Cash Credit From IDBI Bank ( Refer Note No 7.1 & 7.2)	-	500,000
WC DL From DCB ( Refer Note No 7.1 & 7.2)	199,952	-
<b>Loans from related parties :</b>		
Cash Credit From Federal Bank Ltd.( Refer Note No 7.1 & 7.2)	716,990	1,458,167
<b>Unsecured Loans</b>		
Commercial Paper ( Refer Note 7.3)		
- From Related Parties: Federal Bank	650,000	-
- From others	2,850,000	500,000
	<b>4,416,942</b>	<b>2,458,167</b>

7.1. The above facilities are secured by way of first Pari passu charge on entire receivables of the company.

7.2 These facilities carry interest rates in the range of 8.50% - 12%

7.3. Commercial papers have been issued at discount rates between 6.5% to 8.8% p.a.

## 8. Trade Payables

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
Trade Payables		
- Total Outstanding dues of Micro Small & Medium Enterprises –( Refer Note 8.1)	-	-
- Total Outstanding dues other than Micro Small & Medium Enterprises	9,271	10,512
	<b>9,271</b>	<b>10,512</b>

8.1. The Company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the available information, there are no balances outstanding as payable to such suppliers at the year end.

## 9. Other Current liabilities

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
Liability Towards Capital Contracts/goods	884	1,167
Book Overdraft (From Related Party - The Federal Bank Ltd)	359,621	210,706
Current Maturities of Long Term Debt ( Refer Note 5.1.1)		
- From Related Parties: Federal Bank	450,000	200,000
- From others		
- HDFC Bank	160,458	50,000
- DCB	69,696	-
- SIDBI	50,000	-
- ICICI Bank	22,222	-
- Tata Capital Financial Services Ltd	40,000	-

<b>Other Payables:</b>		
Withholding Tax and Other Statutory Dues	4,378	3,816
Interest on Loans	32,607	9,286
Employee Related Payables	21,321	14,252
Advances From Customers	37,076	9,228
Auction Related Payables	8,917	5,132
Provision for CSR Expenses	-	1,570
Other Expenses payable (Refer Note 9.1)	38,855	22,859
	<b>1,296,035</b>	<b>528,016</b>

Note 9.1 Other expenses payable includes amount due to The Federal Bank (Holding Company) INR 2,088 thousands (Previous year - INR 1,582 thousands).

## 10. Short Term Provisions

(INR in Thousands)

<b>Particulars</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
<b>Provision for Employee benefits: (Refer Note No 21.1)</b>		
Provision for Compensated Absences	1,962	1,724
Provision for Gratuity	1,778	1,085
	<b>3,740</b>	<b>2,809</b>
<b>Other Provisions ( Refer Note 10.1)</b>		
Provision Against Non Performing Assets (Refer Note 10.2)	4,066	3,685
Contingent Provision Against Standard Assets (Refer Note 10.3)	15,140	9,196
	<b>22,946</b>	<b>15,690</b>

### 10.1. Movement of Provision for Standard and Non-Performing Assets

As per the "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Directions,2016 ", the Company has created provision for Standard assets as well as Non Performing Assets.

(INR in Thousands)

<b>Particulars</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
<b>Provision for Standard Assets</b>		
Standard Assets	9,598,634	6,084,771
Provision at the beginning of the year	18,255	10,914
Additional provision/ (Excess Reversal) Net during the year	15,340	7,341
<b>Provision at the close of the year</b>	<b>33,595</b>	<b>18,255</b>
<b>Provision for Non-Performing Assets</b>		
Total Non Performing Assets	21,201	23,576
Provision at the beginning of the year	<b>3,685</b>	<b>595</b>
Additional provision/ (Excess Reversal) Net during the year	381	3,090
<b>Provision at the close of the year</b>	<b>4,066</b>	<b>3,685</b>

10.2. Provision against non Performing Assets have been classified in accordance with RBI Guidelines, and has been made to the extent specified in such guidelines and has not been netted of against the value of assets disclosed under short term loans and advances (Note No 17).

10.3. Contingent Provision of INR 15,340 thousands (Previous Year INR 7,341 thousands) on a net basis has been made during the current year against standard assets as per "Systemically important Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Directions,2016 ".

**11. Tangible Assets**

(INR in Thousands)

	Computer Equipments	Office Equipments	Lease Hold improvements ( Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server
Gross Block as at April 1, 2016	17,932 (17,351)	28,689 (27,681)	62,419 (64,024)	29,969 (31,808)	998 (998)	9,087 (9,087)
Additions	2,797 (659)	3,510 (3,830)	430 (2,938)	229 (307)	1,936 -	- -
Deletions	120 (78)	1,690 (2,822)	1,158 (4,543)	543 (2,146)	998 -	- -
<b>Gross Block as at March 31, 2017</b>	<b>20,609</b>	<b>30,509</b>	<b>61,691</b>	<b>29,655</b>	<b>1,936</b>	<b>9,087</b>
<b>Gross Block as at March 31, 2016</b>	<b>(17,932)</b>	<b>(28,689)</b>	<b>(62,419)</b>	<b>(29,969)</b>	<b>(998)</b>	<b>(9,087)</b>
Impairment as at April 1, 2016	-	31	(4,568)	850	-	-
	-	-	(5,619)	-	-	-
Additions	-	-	-	-	-	-
	-	(31)	(1,302)	(850)	-	-
Deletions	-	31	4,568	850	-	-
	-	-	(251)	-	-	-
<b>Impairment as at March 31, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Impairment as at March 31, 2016</b>	<b>-</b>	<b>(31)</b>	<b>(4,568)</b>	<b>(850)</b>	<b>-</b>	<b>-</b>
Accumulated depreciation as at April 1, 2016	16,322 (15,391)	24,338 (20,934)	43,905 (41,971)	22,715 (19,246)	756 (613)	6,758 (5,987)
For the year	2,668 (1,009)	3,728 (5,788)	6,305 (9,157)	2,565 (3,839)	450 (143)	771 (771)
Deletions	116 (78)	1,580 (2,416)	898 (2,655)	373 (1,219)	812 -	- -
<b>Accumulated depreciation as at March 31, 2017</b>	<b>18,874</b>	<b>26,486</b>	<b>49,313</b>	<b>24,907</b>	<b>394</b>	<b>7,529</b>
<b>Accumulated depreciation as at March 31, 2016</b>	<b>(16,322)</b>	<b>(24,307)</b>	<b>(48,473)</b>	<b>(21,865)</b>	<b>(756)</b>	<b>(6,758)</b>
Total Accumulated Depreciation and Impairment as at March 31, 2017	18,874 (16,322)	26,486 (24,337)	49,313 (43,904)	24,907 (22,715)	394 (756)	7,529 (6,758)
<b>Net Block as at March 31, 2017</b>	<b>1,735</b>	<b>4,023</b>	<b>12,378</b>	<b>4,748</b>	<b>1,542</b>	<b>1,558</b>
<b>Net Block as at March 31, 2016</b>	<b>(1,610)</b>	<b>(4,352)</b>	<b>(18,515)</b>	<b>(7,253)</b>	<b>(242)</b>	<b>(2,329)</b>

**12. Intangible Assets**

(INR in Thousands)

Particulars	Computer Software	Particulars	CWIP
Gross Block as at April 1, 2016	39,140 (38,537)	Gross Block as at April 1, 2016	- -
Additions	1,154 (603)	Additions	185 -
(Deletions)/ Adjustments	- -	(Deletions)/ Adjustments	- -
<b>Gross Block as at March 31, 2017</b>	<b>40,294</b>	<b>Gross Block as at March 31, 2017</b>	<b>185</b>
<b>Gross Block as at March 31, 2016</b>	<b>(39,140)</b>	<b>Gross Block as at March 31, 2016</b>	<b>-</b>
Accumulated depreciation as at April 1, 2016	36,800 (30,253)	Accumulated depreciation as at April 1, 2016	- -
For the year	915 (6,547)	For the year	- -
(Deletions)/ Adjustments	- -	(Deletions)/ Adjustments	- -
Accumulated depreciation as at March 31, 2017	37,715	Accumulated depreciation as at March 31, 2017	-
Accumulated depreciation as at March 31, 2016	(36,800)	Accumulated depreciation as at March 31, 2016	-
<b>Net block as at March 31, 2017</b>	<b>2,580</b>	<b>Net block as at March 31, 2017</b>	<b>185</b>
<b>Net Block as at March 31, 2016</b>	<b>(2,340)</b>	<b>Net Block as at March 31, 2016</b>	<b>-</b>

### 13. Deferred Tax Assets (Net)

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Deferred tax assets (Net)</b>		
<b>Timing difference on account of :</b>		
Depreciation and Amortisation	24,015	23,466
Leave Encashment provision	1,002	701
Gratuity provision	1,606	657
Provision for Sub Standard Assets	75	75
Provision for Burglary loss	1,407	1,219
Provision for Lease equalisation credit	519	-
<b>Net Deferred Tax Asset</b>	<b>28,624</b>	<b>26,118</b>

### 14. Long Term Loans and Advances

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured &amp; Considered Good:</b>		
Loan Against Property	3,609,970	2,151,811
Loans against Wholesale Lending	1,662,876	867,767
<b>Unsecured considered good</b>		
Security Deposits - Rental & Others	35,065	34,754
Pre Paid Expenses	5,660	3,771
Withholding and Other Taxes Receivables ( net of Provision)	-	17,718
	<b>5,313,571</b>	<b>3,075,821</b>

### 15. Trade Receivables (Unsecured)

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>15.1 Other Trade Receivables</b>		
Considered good ( Refer Note 15.2)	12,211	7,266
	<b>12,211</b>	<b>7,266</b>

15.2 Trade receivables include amount due from Federal Bank (Holding Company) INR 4,397 thousands (Previous year - INR 6,121 thousands).

### 16. Cash and Bank Balances

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
- Cash in hand	17,008	24,193
- Balance with Banks		
- Current accounts	32,531	9,134
- Deposit Accounts	-	8,070
	<b>49,539</b>	<b>41,397</b>

## 17. Short Term Loans and Advances

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Secured</b>		
<b>(a) Considered Good</b>		
Loans against Gold (Refer Note 17.1)	3,347,803	2,521,275
Loans against Property	212,860	145,627
Loans against Wholesale Lending	766,106	398,291
Interest Receivable on Loans	224,726	116,346
	<b>4,551,495</b>	<b>3,181,539</b>
<b>(b) Considered Doubtful</b>		
Loans against Gold (Refer Notes 10.1, 10.2 & 17.1)	5	211
Loans against Property	19,463	21,951
	<b>19,468</b>	<b>22,162</b>
<b>Unsecured:</b>		
<b>(a) Considered Good</b>		
Advance to Employees	3,471	3,273
Unamortised discount on Commercial Papers	84,512	3,466
Prepaid Expenses	4,172	5,619
Withholding and Other Taxes Receivables (Net of Provision)	(122)	5,328
Advances for Supplies & Services	3,452	4,178
Security Deposits - Rental & Others	62	2,340
	<b>95,547</b>	<b>24,204</b>
<b>(b) Considered Doubtful</b>		
Loans against Gold (Refer Notes 10.1, 10.2 & 17.1)	1,553	1,216
Loans against Gold (Refer Note 17.1 & 17.2)	198	198
Less: Provisions	(198)	(198)
Interest Receivable on Loans (Refer Note 17.2)	19	19
Less: Provisions	(19)	(19)
	<b>1,553</b>	<b>1,216</b>
	<b>4,668,063</b>	<b>3,229,121</b>

17.1. Disclosure required as per "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Direction,2016 ".

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
Loans granted against collateral of gold Jewellery	3,349,361	2,522,702
Total assets of the Company	10,112,946	6,419,395
Percentage of Loans granted against collateral of gold jewellery to Total Assets	33.12%	39.30%

17.2. During the Financial Year 2014-15, burglary occurred at one of the Company's branches. Settlement was done with the customers and amount recoverable has been retained in books and the balance provided for.

## 18. Other Current Assets

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Unsecured and considered good</b>		
Interest Receivable on Fixed Deposits	-	622
Service Tax Input Credit Receivable	262	1,339
Reimbursement receivable from the Holding company	11,926	1,070
	<b>12,188</b>	<b>3,031</b>

## 19. Revenue from Operations

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>(a) Retail Finance</b>		
Interest/Other Charges on Gold Loans	574,511	432,683
Interest/Other Charges on Loan Against Property	391,278	272,727
<b>(b) Whole sale Finance</b>		
Interest/Other Charges on Wholesale Lending	296,744	135,909
<b>(c) Other Financial Services</b>		
Commission Income	9,976	35,420
Income from Distribution Business	53,313	-
<b>(d) Interest from Debentures</b>	-	<b>4,814</b>
Less: Premium Amortisation	-	(1,217)
Net Income	-	3,597
	<b>1,325,822</b>	<b>880,336</b>

## 20. Other Income

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Fees for Provision of Facilities/ Services	15,412	6,664
Interest on fixed deposits	24	1,411
Interest on Income Tax Refunds	2,296	818
Insurance Claim	-	1,443
Profit on sale of Fixed assets	279	151
Profit on Sale Of Mutual Fund units (Net)	473	1,114
Expenses and provisions written back	-	23
Miscellaneous Income	1,851	2,852
	<b>20,335</b>	<b>14,476</b>

## 21. Employee Benefit Expenses

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Salaries and other allowances	236,014	196,780
Contribution to Provident and other Funds (Refer Note 21.1)	12,469	10,854
Staff Welfare Expenses	7,377	5,969
	<b>255,860</b>	<b>213,603</b>

**21.1. Disclosures of employee benefits as required by the accounting standard 15 (Revised) employee benefits are as under:**

**a) Defined Contribution Plan**

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Provident Fund	11,059	9,440
Employee State Insurance	1,410	1,414
	<b>12,469</b>	<b>10,854</b>

**b) Defined Benefit Plan :**

Gratuity (Unfunded) & Long term employee Benefits- Compensated absences-Vesting (Unfunded).

Particulars	Gratuity		Compensated Absences	
	Current year	Previous Year	Current year	Previous Year
<b>i Reconciliation of opening and closing balances of defined benefit Obligation :</b>				
1 PVO at the beginning of the year	1,899	766	1,902	2,254
2 Current Service cost	2,585	1,788	1,509	920
3 Interest Cost	126	55	132	139
4 Actuarial (gains) / losses	612	(592)	(357)	(487)
5 Benefits paid	(580)	(118)	(435)	(924)
6 Short Term Compensated Absence Liability	-	-	143	123
7 Present value of Defined Benefit Obligation as at the end of the year	4,641	1,899	2,751	1,902

<b>ii Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :</b>				
1 Fair value of Plan assets as at the beginning of the year	-	-	-	-
2 Expected return on plan assets	-	-	-	-
3 Actuarial gains/ (losses)	-	-	-	-
4 Actual contributions	580	118	435	924
5 Benefits paid	(580)	(118)	(435)	(924)
6 Fair value of Plan assets as at the end of the year.	-	-	-	-
7 Short Term Compensated Absence Liability	-	-	143	123
8 Funded Status	(4,641)	(1,899)	(2,751)	(1,902)

<b>iii Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :</b>				
1 Present value of Defined Benefit Obligation	4,641	1,899	2,751	1,902
2 Fair value of plan assets	-	-	-	-
3 Funded status	(4,641)	(1,899)	(2,751)	(1,902)
4 Unrecognized Past Service Costs	-	-	-	-
5 Net asset/(Liability) recognized in Balance Sheet	(4,641)	(1,899)	(2,751)	(1,902)

<b>iv Expenses recognized in the Profit and Loss statement for the year ended 31st March,2016</b>				
1 Current Service cost	2,585	1,788	1,509	920
2 Interest cost	126	55	132	139
3 Expected return on plan assets	-	-	-	-
4 Past Service cost	-	-	-	-
5 Actuarial Losses/(Gains)	612	(592)	(357)	(487)



6	Short Term Compensated Absence Liability	-	-	143	123
7	Total expense recognized in the Profit & Loss Statement	3,323	1,251	1,284	572

v	Principal Actuarial Assumptions :	Gratuity		Compensated Absences	
1	Discount Rate (%)	6.69%	7.83%	6.69%	7.83%
2	Expected Return on plan assets (%)	-	-	-	-
3	Salary Escalation (%)	8.50%	7.75%	8.50%	7.75%
4	Mortality	Indian Assured Lives Mortality (2006-08) Ultimate			

vi	Experience History	Gratuity		Compensated Absences	
1	(Gain)/Loss due on obligation due to change in assumption	959	380	177	18
2	Experience (Gain)/Loss on Obligation	(347)	(972)	(533)	(505)
3	Actuarial Gain/(Loss) on plan assets	-	-	-	-

The Discount rate is based on the benchmark yields available on Indian Government bonds as at the Balance Sheet date with terms matching that of the liabilities and the salary increase rates takes into account the inflation, seniority, promotion and other relevant factors.

## 22. Finance Costs

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest on Cash Credit Facility	19,048	16,832
Interest on Working Capital Demand Loan	3,503	-
Interest on Term Loan	210,750	52,804
Discount on Commercial Paper	240,817	180,045
Other Finance Costs	7,909	4,506
	<b>482,027</b>	<b>254,187</b>

## 23. Provisions & Write-off

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Provision/(Excess Reversal) for Loss Assets (Refer Note 10.2)	338	1,089
Provision for Sub Standard Assets ( Net of Recovery)	(201)	2,001
Provision for Doubtful Debts	245	-
Provision/(Excess Reversal) for Standard Assets (Refer Note 10.3)	15,345	7,341
Provision for Impairment of tangible Assets	-	1,746
	<b>15,726</b>	<b>12,178</b>

## 24. Other Expenses

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Electricity Charges	5,780	5,446
Rent	50,790	50,798
Repairs & Maintenance:		
Buildings	63	627
Machinery	787	764
Others	12,141	14,505
Postage & Telephones	12,311	12,957
Travelling & Conveyance Expenses	10,629	11,858
Insurance	2,546	2,625
Rates & Taxes	999	327
Legal & Professional Charges	17,968	15,035
Advertisement & Business Promotion	3,104	3,480
Commission Paid	45,135	26,270
Sourcing Expenses	1,659	3,087
Office Expenses	4,972	4,870
Printing & Stationery	3,672	4,048
Recruitment Charges	1,899	864
Security Expenses	23,034	17,959
Valuation Charges	3,362	8,865
Loss on sale of tangible fixed Assets (Net)	357	2,354
Corporate Social Responsibility (CSR) Expenses (Refer Note 24.2)	1,615	1,570
Sitting Fees to Directors	3,330	3,154
Audit Expenses (Refer Note 24.1)	1,040	900
Service Tax Expenses	9,403	3,877
Miscellaneous Expenses	3,770	2,736
	<b>220,366</b>	<b>198,975</b>

### 24.1 Audit Expenses Include Payment to Auditors (Net of Service Tax)

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
As Auditor	800	800
For Other Matters	50	50
For Reimbursement of Expenses	190	50
	<b>1,040</b>	<b>900</b>

### 24.2 Corporate Social Responsibility (CSR) Expenditure

The Company has incurred INR. 3184 thousands (INR 1570 thousands out of provision of PY) towards CSR expenses in accordance with the provisions of The Companies Act, 2013.

The details of the same is contained in Annexure - 2 to the Directors' Report.

**25. Earnings per Share (Basic and Diluted)**

Particulars	As at March 31, 2017	As at March 31, 2016
Net Profit after tax (INR In Thousands)	225,298	122,542
Weighted average number of equity shares outstanding	190,000,000	190,000,000
<b>Earning Per Share (INR)</b>		
Basic and Diluted (Face value of INR 10 per share)	1.19	0.64

**26. Contingent Liabilities (to the extent not provided for)**

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Contingent Liabilities:</b>		
Disputed Income Taxes(1)	3,218	3,218
Other Sums contingently liable for(2)	2,260	2,260
<b>Total</b>	<b>5,478</b>	<b>5,478</b>

[1]. The Assessing Officer has disagreed with the treatment of certain expenses in connection with the return of income tax return filed by the company and accordingly raised a demand of INR 3,218 thousand. This has been challenged by the Company before the Income Tax Department. However, during the financial year 2015-16 the disputed demand of INR 3,218 thousand was adjusted against refund amount for AY 2013-14 by the Income tax Department.

[2]. The Payment of Bonus Act, 1979 was amended with retrospective effect during the previous year, the estimated probable additional cost to the Company on account of this to the extent it pertains to the earlier financial year has not been considered a liability by placing reliance on Kerala High Court judgement which has stayed this matter and accordingly disclosed as contingent liability.

[3]. Certain customers of the Company have filed suits in consumer/civil courts for auctioning of their gold ornaments or for obtaining of stay order against auction of their pledged gold. The management does not expect any material liability from such suits.

**27. Capital & Other Commitment:**

(INR in Thousands)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Capital Commitments</b>		
- Estimated amount of contracts remaining to be executed on capital accounts not provided for (Net of advances)	4,906	-
<b>Other Commitments towards partly disbursed loans</b>	<b>1,124,861</b>	<b>660,600</b>

**28. RELATED PARTY DISCLOSURES****(i) List of Related parties and the nature of relationship:**

- a) Holding Company  
The Federal Bank Limited
- b) Key Management Personnel  
Shardul Kadam, Manager  
Sudeep Agrawal, CFO (From 06.04.2016)  
Ankit Kawa, Company Secretary (From 06.04.2016)

(ii) Transactions :-

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>(a) Holding Company</b>		
<b>Transactions during the year:</b>		
Interest Income from Fixed Deposits	24	1,411
Commission Income	9,976	35,413
Income from distribution business	53,313	-
Re-imbursements of Expenses by Holding Company	1,834	5,748
Interest paid on Cash Credit Facility & Term Loan	158,278	52,617
Rent paid	309	9,042
Travelling Expenses	-	117
Discount on Commercial Papers	45,367	11,119
<b>Closing Balances in:</b>		
- Fixed Deposit Accounts	-	8,070
- Interest On Fixed Deposit with Bank	-	-
- Un-amortised Discount on commercial Paper	26,464	-
- Current Account – Receivable/(Payable)	(334,755)	(323,248)
- Borrowings Cash credit facility	716,990	1,458,167
- Borrowings:		
- Term Loan	1,400,000	1,350,000
- Commercial Papers	650,000	-
- Account Receivable & Reimbursements	16,323	7,191
- Account Payable	2,088	1,582
<b>(b) Key Management Personnel</b>		
Remuneration to Manager ( Ashok Das)	-	855
Remuneration to Manager (Shardul Kadam)	6,138	2,003
Remuneration to CFO (Shardul Kadam)	-	1,590
Remuneration to CFO (Sudeep Agrawal)	2,898	-
Remuneration to Company Secretary (Ankit Kawa)	572	-
Remuneration to Company Secretary (Manish Marothiya)	-	687

29. Schedule appended to the Balance Sheet of a non-deposit taking non-banking financial company (as required in "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Direction,2016 ")

(INR in Thousands)

Particulars	Year ended March 31, 2017		Year ended March 31, 2016	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
Liabilities side :				
1. Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:				
(a) Debentures : Secured	NIL	NIL	NIL	NIL
: Unsecured	NIL	NIL	NIL	NIL
(other than falling within the meaning of public deposits*)				
(b) Deferred Credits	NIL	NIL	NIL	NIL
(c) Term Loans	2,831,743	NIL	1,567,500	NIL
(d) Inter-corporate loans and borrowing	NIL	NIL	NIL	NIL
(e) Commercial Paper	NIL	NIL	500,000	NIL
(f) Cash Credit Facility	716,990	NIL	1,958,167	NIL
(g) Working Capital Demand Loan	199,952	NIL	NIL	NIL

**Assets side :**

(INR in Thousands)

<b>2. Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>	<b>Year ended March 31, 2017</b>	<b>Year ended March 31, 2016</b>
(a) Secured	9,599,615	6,084,771
(b) Unsecured	21,219	23,576

<b>3. Break up of Leased Assets and stock on hire and other assets counting towards AFC activities</b>	<b>Year ended March 31, 2017</b>	<b>Year ended March 31, 2016</b>
<b>(i) Lease assets including lease rentals under sundry debtors :</b>		
(a) Financial lease	NIL	NIL
(b) Operating lease	NIL	NIL
<b>(ii) Stock on hire including hire charges under sundry debtors:</b>		
(a) Assets on hire	NIL	NIL
(b) Repossessed Assets	NIL	NIL
<b>(iii) Other loans counting towards AFC activities</b>		
(a) Loans where assets have been repossessed	NIL	NIL
(b) Loans other than (a) above	NIL	NIL

<b>4. Break-up of Investments :</b>	<b>Year ended March 31, 2017</b>	<b>Year ended March 31, 2016</b>
<b>Current Investments :</b>		
<b>1 Quoted :</b>		
(i) Shares : (a) Equity	NIL	NIL
(b) Preference	NIL	NIL
(ii) Debentures and Bonds	NIL	NIL
(iii) Units of mutual funds	NIL	NIL
(iv) Government Securities	NIL	NIL
(v) Others (please specify)	NIL	NIL
<b>2 Unquoted :</b>		
(i) Shares : (a) Equity	NIL	NIL
(b) Preference	NIL	NIL
(ii) Debentures and Bonds	NIL	NIL
(iii) Units of mutual funds	NIL	NIL
(iv) Government Securities	NIL	NIL
(v) Others (please specify)	NIL	NIL
<b>Long Term investments :</b>		
<b>1. Quoted :</b>		
(i) Shares : (a) Equity	NIL	NIL
(b) Preference	NIL	NIL
(ii) Debentures and Bonds	NIL	NIL
(iii) Units of mutual funds	NIL	NIL
(iv) Government Securities	NIL	NIL
(v) Others (please specify)	NIL	NIL

(Amount INR Thousands)

<b>2. Unquoted :</b>		
(i) Shares : (a) Equity	NIL	NIL
(b) Preference	NIL	NIL
(ii) Debentures and Bonds	NIL	NIL
(iii) Units of mutual funds	NIL	NIL
(iv) Government Securities	NIL	NIL
(v) Others (please specify)	NIL	NIL

**5. Borrower group-wise classification of assets financed as in (2) and (3) above:**

(INR in Thousands)

Category	Year ended March 31, 2017			Year ended March 31, 2016		
	Secured	Unsecured	Total	Secured	Unsecured	Total
<b>1. Related Parties</b>						
(a) Subsidiaries	NIL	NIL	NIL	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL	NIL	NIL	NIL
(c) Other related parties-Holding Company	NIL	NIL	NIL	NIL	NIL	NIL
<b>2. Other than related parties (Amount net of provision)*</b>	<b>9,599,615</b>	<b>21,219</b>	<b>9,620,834</b>	<b>6,084,771</b>	<b>23,576</b>	<b>6,108,347</b>
<b>Total</b>	<b>9,599,615</b>	<b>21,219</b>	<b>9,620,834</b>	<b>6,084,771</b>	<b>23,576</b>	<b>6,108,347</b>

\* Contingent Provision on Standard Assets has not been netted off as per prudential norms

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

(INR in Thousands)

Category	Year ended March 31, 2017		Year ended March 31, 2016	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
<b>1. Related Parties</b>				
(a) Subsidiaries	NIL	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL	NIL
<b>2. Other than related parties</b>	NIL	NIL	NIL	NIL
<b>Total</b>	NIL	NIL	NIL	NIL

**7. Other information**

(INR in Thousands)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>(i) Gross Non-Performing Assets</b>		
(a) Related parties	Nil	Nil
(b) Other than related parties	21,219	23,576
<b>(ii) Net Non-Performing Assets</b>		
(a) Related parties	Nil	Nil
(b) Other than related parties	17,153	19,891
<b>(iii) Assets acquired in satisfaction of debt</b>	Nil	Nil

### 30. Disclosure in balance sheet required as per "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Direction,2016 ".

#### 30.1 Capital to Risk Assets Ratio (CRAR):

Particulars	As at March 31, 2017	As at March 31, 2016
	%	%
CRAR	22.98	32.81
CRAR - Tier I capital	22.65	32.52
CRAR - Tier II Capital	0.33	0.29
Amount of subordinated debts raised as tier-II capital	-	-
Amount raised by the issue of perpetual debt instruments	-	-

#### 30.2 Asset Liability Management :-

Maturity pattern of certain items of assets and liabilities as at 31st March, 2017. (As compiled by the management) (INR in Thousands)

	1 day to 30/31 days (One Month)	1 Month to 2 Months	2 Months to 3 Months	3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 years	Over 3 Years to 5 years	Over 5 Years	Total
<b>Liabilities :</b>									
Borrowings from banks	566,944 (458,167)	72,500 -	79,924 (62,500)	181,836 (62,500)	808,116 (1,625,000)	1,504,005 (1,000,000)	535,360 (317,500)	- -	3,748,685 (3,525,667)
Market Borrowings	- (250,000)	950,000 (250,000)	1,200,000 -	900,000 -	450,000 -	- -	- -	- -	3,500,000 (500,000)
<b>Assets :</b>									
Advances	358,194 (34,522)	423,937 (34,125)	461,886 (49,142)	1,332,901 (1,306,719)	1,751,551 (1,590,120)	1,866,007 (1,195,012)	1,005,596 (511,633)	2,420,760 (1,387,074)	9,620,834 (6,108,346)
Investments	- -	- -	- -	- -	- -	- -	- -	- -	- -

Figures in brackets are related to the previous year

#### 30.3 Exposure to Real Estate Sector

(INR in Thousands)

Category	Year ended March 31, 2017	Year ended March 31, 2016
<b>a) Direct exposure</b>		
<b>(i) Residential Mortgages -</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:	2,609,019	1,438,454
<b>(ii) Commercial Real Estate -</b>		
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:	4,695,153	2,146,992
<b>(iii) Investments in Mortgage Backed Securities ( MBS) and other securitised exposures -</b>		
a. Residential	-	-
b.Commercial Real Estate	-	-

#### 30.4 Registration obtained from Financial Sector Regulators

Regulator	Registration No.
1. Reserve Bank of India	Certificate of Registration No. 16.00187

### 30.5 Ratings assigned by the credit rating agencies and migration of ratings during the Financial Year

Particular	As at 31st March, 2017	As at 31st March, 2016
Long Term	CARE AA-	CARE AA-
Short Term	CRISIL A1+	CRISIL A1+

### 30.6. Provisions and Contingencies

(INR in Thousands)

Particulars	As at 31st March, 2017	As at 31st March, 2016
Break up of 'Provisions & Contingencies' shown under the head Expenditure in the Profit and Loss Account		
Provision towards NPA	4,066	3,685
Provision made towards Income Tax	131,985	72,172
Other Provision & Contingencies (Refer Note 26 & 30.6.1)	18,137	9,619
Provision for Standard Asset	33,595	18,255

Note: 30.6.1. Other Provision includes Provision for Employee Benefits, Burglary & Corporate Social Responsibilities.

### 30.7 Concentration of Deposit, Advances, Exposures and NPAs

(INR in Thousands)

#### 30.7.1 Concentration of Advances

Particulars	As at 31st March, 2017	As at 31st March, 2016
Total Advances to twenty largest borrowers	1,803,161	1,353,662
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	18.74%	22.16%

#### 30.7.2 Concentration of Exposures

(INR in Thousands)

Particulars	As at 31st March, 2017	As at 31st March, 2016
Total Exposure to twenty largest borrowers/customers	2,238,256	1,456,689
Percentage of Exposures to twenty largest borrowers/customers to Total Advances of the NBFC on borrowers/customers	20.87%	23.85%

#### 30.7.3 Concentration of NPAs

(INR in Thousands)

Particulars	As at 31st March, 2017	As at 31st March, 2016
Total Exposure to top four NPA accounts	23,675	23,610

#### 30.7.4 Sector Wise NPAs

Sector	Percentage of NPAs to total advances in that sector	
	As at 31st March, 2017	As at 31st March, 2016
1. Agriculture & allied activities	-	-
2. MSME	-	-
3. Corporate Borrowers	0.43%	-
4. Services	-	-
5. Unsecured Personal Loans	-	-
6. Auto Loans	-	-
7. Other Personal Loans	0.07%	0.38%



### 30.8 Movement of NPAs

(INR in Thousands)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
<b>(i) Net NPAs to Net Advances (%)</b>	0.18%	0.31%
<b>(ii) Movement of NPAs (Gross)</b>		
a) Opening balance	23,576	288
b) Additions during the year	2,535	38,964
c) Reductions during the year	4,910	15,676
d) closing balance	21,201	23,576
<b>(iii) Movement of Net NPAs</b>		
a) Opening balance	19,855	-306
b) Additions during the year	1,219	33,922
c) Reductions during the year	3,939	13,761
d) closing balance	17,135	19,855
<b>(iv) Movement of provision for NPAs (Excluding provisions on standard assets)</b>		
a) Opening balance	3,721	594
b) Provisions made during the year	1,316	5,042
c) Write-off/ write-back of excess provisions	971	1,915
d) closing balance	4,066	3,721

### 30.9 Details of Auction conducted during the year

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Number of Loan Accounts	2,154	4,281
Outstanding Amounts (INR in Thousands)	94,060	247,405
Value fetched from the Auction (INR in Thousands)	105,452	241,746

### 30.10 Details of Customer Complaints

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
(a) No. of complaints pending as at the beginning of the year	-	-
(b) No. of complaints received during the year	11	16
(c) No. of complaints redressed during the year	11	16
(d) No. of complaints pending as at the end of the year	-	-

### 31. Segment Reporting

In terms of the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014, the company's operations are classified into three business segments as described in the accounting policy and the information on the same is as under:

(INR in Thousands)

Business Segments	Distribution		Retail Finance		Whole Sale Finance		Total	
	Year ended 31.03.2017	Year ended 31.03.2016	Year ended 31.03.2017	Year ended 31.03.2016	Year ended 31.03.2017	Year ended 31.03.2016	Year ended 31.03.2017	Year ended 31.03.2016
Segment Revenue	9,976	35,420	965,789	705,410	296,744	139,506	1,272,508	880,336
Segment Expenditure *	70,299	56,190	682,921	511,926	126,543	51,084	879,763	619,200
Allocated Expenditure ( Net)	5,328	3,513	82,266	71,487	24,024	12,353	111,618	86,998
<b>Results</b>	<b>(65,651)</b>	<b>(24,283)</b>	<b>200,602</b>	<b>121,997</b>	<b>146,176</b>	<b>76,070</b>	<b>281,127</b>	<b>174,138</b>
Unallocated Income							71,329	12,247
Interest Income on FD & Income Tax Refund							2,320	2,229
<b>Profit/(Loss) before Tax</b>							<b>354,776</b>	<b>188,614</b>
Income Taxes							129,477	66,072
<b>Net Profit/(Loss)</b>							<b>225,299</b>	<b>122,542</b>
<b>Other Information</b>								
Segment Assets	34,764	33,087	7,560,255	5,130,103	2,517,926	1,256,205	10,112,946	6,419,395
Unallocated Assets							-	-
<b>Total Assets</b>	<b>34,764</b>	<b>33,087</b>	<b>7,560,255</b>	<b>5,130,103</b>	<b>2,517,926</b>	<b>1,256,205</b>	<b>10,112,946</b>	<b>6,419,395</b>
Segment Liabilities	21,182	13,993	5,832,153	3,445,171	1,954,977	880,895	7,808,311	4,340,059
Unallocated Liabilities							-	-
<b>Total Liabilities</b>	<b>21,182</b>	<b>13,993</b>	<b>5,832,153</b>	<b>3,445,171</b>	<b>1,954,977</b>	<b>880,895</b>	<b>7,808,311</b>	<b>4,340,059</b>
Capital Expenditure	2,263	255	6,914	7,623	1,065	459	10,242	8,337
Unallocated Capital Expenditure							-	-
Depreciation/ Amortisation	2,623	1,053	14,118	25,230	660	972	17,402	27,255
Impairment of Fixed Assets	-	-	-	1,746	-	-	-	1,746
Unallocated Depreciation							-	-

The Company has only Domestic Geographic Segment and hence no secondary segment disclosures are made.

### 32. Disclosure on Operating Lease

#### 32.1 Details of Operating leasing arrangement

The Company has entered into operating lease arrangement for its Corporate office. The lease is non cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

Particulars	2017	2016
Future minimum lease payments:		
- Up to one year	12,002	-
- More than one year and upto five years	36,687	-
- More than five years		-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	12,584	-

**32.2** In addition, All other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for assets taken on a operating lease INR 38,109 (Previous Year INR 50,708) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

### 33. Disclosure on Specified Bank Notes (SBN's)

During the year, the Company had held "Specified bank notes", as defined by Reserve Bank of India. Further, as per MCA Notification G.S.R. 308(E) dated March 31, 2017, details of the Specified Bank Notes (SBN) held and transacted during the year from November 8, 2016 to December 30, 2016 are given below:

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing Cash in Hand as on November 8, 2016	24,800	1,400	26,200
(+) Permitted Receipts	-	692,800	692,800
(-) Permitted Payments	-	681,300	681,300
(-) Amounts deposited in Banks	24,800	3,300	28,100
<b>Closing Cash in Hand as on December 30, 2016</b>	-	9,600	9,600

As there was no mandate, requiring the company to maintain denomination wise details on a daily basis. We have since put in place a process to ensure that daily cash movement denomination wise details are meticulously recorded and reported.

### 34. Internal Control System :

During the year, the Company engaged a reputed firm of Chartered Accountants to evaluate that the Internal Financial Controls are in place and also test its effectiveness. Based on their findings including those arising from the management reviews, certain deficiencies were identified. However, the deficiencies do not reflect any material weakness as the company has compensatory controls in place. The Company has adequate Internal Financial Controls that are commensurate with the nature and size of its business operations; wherein controls are in place and operating effectively and no material weakness exists.

**35.** Previous year's figures have been regrouped / reclassified wherever necessary, to make them comparable with the current year's figures.

For and on behalf of Board of Directors

As per our report of even date attached

**For Varma & Varma**  
Chartered Accountants  
FRN 004532S

Suresh Kumar

**Chairman**

DIN:00494479

Abraham Cherian  
Partner

M.No 218851

Gauri Rushabh Shah

**Director**

DIN: 06625227

Shyam Srinivasan

**Director**

DIN: 02274773

Shardul Kadam

**President**

Sudeep Agrawal

**CFO**

Ankit Kawa

**Company Secretary**

M.No.A44317

Place: Mumbai

Date: 19/04/2017

Place: Mumbai

Date: 19/04/2017

**FEDBANK**

FINANCIAL SERVICES LIMITED

(A Wholly owned subsidiary of The Federal Bank Ltd.)