



FEDBANK FINANCIAL SERVICES LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED MARCH 31, 2018**



Dear Shareholders,

It is with great pleasure that your Directors present to you your Company's Twenty-Third Annual Report and audited financial statements for the year ended 31st March 2018.

Financial Performance:

(₹. In Cr.)

Financial Highlights	FY2018	FY2017
Total Revenue	197.66	134.62
Net Interest Income (NII)	93.62	71.24
Fees and Other Income	30.29	8.60
Operating Expenses	68.75	50.15
Profit Before Tax (PBT)	49.34	35.48
Net Profit	30.80	22.53
Appropriations:		
Transfer To Reserve Fund	6.16	4.51
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	24.64	18.02
Total Advances	1445.98	989.71
Total Borrowings	1155.01	716.41
Total Assets (Balance Sheet Size)	1479.68	1002.84
Net Worth	259.68	230.46
Ratios:		
Return on Average Assets (%)	2.48	2.73
Return on Equity (%)	10.57	10.28
Earnings per share (Rs.)	1.62	1.19
Book Value per share (Rs.)	13.67	12.13
Cost to Income ratio (%)	50.94	54.96
Capital Adequacy Ratio (%)	17.22	22.98

COMMENTARY:

Your Company, is a diversified NBFC (ND SI); and has identified two major business segments for extending debt finance – MSME lending (Micro Small and Medium Enterprises) and structured debt to mid-corporates. Furthermore, it continues to distribute loan products of The Federal Bank Ltd. across key markets.

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 48% from ₹ 962 Crs. in FY17 to ₹ 1422 Crs. in FY18, and thanks to rigorous risk management of the Company, its portfolio quality continues to remain robust.

Total revenue for your Company has grown by 47% from ₹134.62 Crs. in FY17 to ₹ 197.66 Crs. in FY18. Similarly, NII grew by 31% from ₹ 71.24 Crs. in FY17 to ₹ 93.62 Crs. in FY18. Despite competitive environment exerting NIM pressure, a well-planned product and borrowing mix has resulted into a healthy NII growth. Along with a healthy loan book growth, your Company has well managed its overheads to improve its Cost to income ratios.

Operating expenses grew by 38% from ₹ 50.15 Crs. in FY17 to ₹ 68.75 Crs. in FY18, and the Cost to Income ratio continued to improve Y-o-Y from 55% in FY17 to 51% in FY18 (earlier 69% in FY16). This is a reflection of improving productivity and success of cost management initiatives undertaken during the year. PBT for the year improved to Rs. 49.34 Crs. as against Rs. 35.48 Crs. for FY17 (Y-o-Y growth of 39 %). With changing business mix and focus on differentiated product and customer segment, your Company remains confident of continuing to deliver a profitable growth in the years ahead.

Your Company's Gross and Net NPAs continue to remain low at 0.92% and 0.80% respectively, one of the lowest in the industry. Despite the RERA, GST and Demonetization impact, the asset quality has continued to remain strong.

MSE remains a focus area for the Government and has gained significant relevance these days. Seeing these opportunities, Your Company has timely introduced a differentiated mortgage lending program focused on the MSE customer segment. FY18 was an eventful year for your Company. The Micro & Small Enterprises (MSE) focused mortgage loan business (new business) entered new markets like Jaipur, Himmatnagar & Mehsana and deepened foot-print in existing markets of Surat, Ahmedabad, Bangalore and entire Tamilnadu. Under guidance of its Board, your Company has successfully repositioned its Gold Loan Branches into multi-product retail loan outlets. Branches contributed ~26% of total MSE business in very first year of operation. Going forward, your Company will continue to optimally sweat its existing distribution infrastructure and thus control overheads. The MSE focused products offer healthy NIMs and have minimal dependency on external channels. Given its Cost structure, Your Company enjoys a competitive position in this space. This business is expected to exponentially grow in years to come.

Given the expected upside in gold loan business and the ability to leverage these branches to distribute multiple retail loan products, Your Company opened 15 new branches in select geographies and will open 25 more to deepen its foot-print.

Under Structured Finance, your Company will continue its strategy to create a diversified portfolio across markets and add credible names to its loan book.

On the liability 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, DCB Bank, Indian Bank, Karnataka Bank, SIDBI, Bajaj Finance and Tata Capital Financial Services Ltd. During the year, Your Company also raised fully hedged Foreign Currency Debt to reduce the cost of borrowing.

Your Company's commercial paper continues to enjoy 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 continued support to our growth.

As a part of the Company's strategic decision, your Company has entered into definitive agreements on 11th May 2018 with the Federal Bank and True North Enterprise Private Limited for acquisition of 26% of the post-issue paid up share capital of your Company by True North Enterprise Private Limited and/or the funds managed by True North Enterprise Private Limited. The proposed transaction is subject to statutory and regulatory approval.

OUTLOOK

Your Company will remain focused to leverage its distribution strength and expand its product bouquet to cater to multiple needs of its target customer segment. Going further, Technology will remain a key differentiator to improve product delivery and turnaround time in its retail lending businesses.

Post RERA and GST impact subsiding, competitive pressures are expected to increase. Differentiated product segment, deeper reach, leverage of existing infrastructure and technology support will enable Your Company to withstand competition and continue to deliver a profitable growth.

During the coming years your Company's focus will remain to enhance non-fund based incomes and revenue per employee.



CAPITAL ADEQUACY:

Your Company's capital adequacy ratio stood at 17.22% as on March 31, 2018 above the threshold limit of 15% prescribed by the Reserve Bank of India. Tier-I Capital ratio alone stood at a healthy 16.85%.

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, Authorised share capital was increased from Rs. 190 Crore to Rs. 300 Crores. Detail breakup of 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	300,000,000	190,000,000	190,000,000	190,000,000
Total amount of equity shares (in Rs.)	3,000,000,000	1,900,000,000	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.6.16 Crores to the Statutory Reserve maintained under Section 45IC of the RBI Act, 1934.

DIVIDEND:

In order to plough back the profits and to build up the reserve funds, your directors have not recommended any dividend on equity shares for the year under review.

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 2018, aggregate borrowings of your Company stood at Rs 1,155.01 Cr as compared to Rs 716.41 Cr as at 31st March 2017.

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 the importance of Human Capital and has taken up several employees-focused programs to recognize and reward its excellent performers, identify talent and institute a career progression plan.

A separate analytics team is in place to monitor employee level productivity for timely intervention. Keeping in mind its planned expansion and a need to induct, orient and train talent, Your Company has put a dedicated Training vertical in place.

As on 31st March 2018, your Company had 671 employees on its payroll and the average age of employees is 32 years. Same is expected to reduce to 30 years in coming years.

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

As on 31st March 2018, your Company's Board consists of four Directors as follows:

- Mr. Dilip Sadarangani (DIN: 06610897), Chairman & Independent Director
- Mr. Shyam Srinivasan (DIN: 02274773), Non Executive Director
- Mrs. Gauri Rushabh Shah (DIN: 06625227), Independent Director
- Mr. Ganesh Sankaran (DIN: 07580955), Nominee Director

During the year under review, Mr. Suresh Kumar (DIN: 00494479) resigned from directorship of your Company w.e.f June 19th, 2017. Mr. Ganesh Sankaran (DIN: 07580955) was appointed as Nominee Director w.e.f 10th June 2017 in place of Mr. Dilip Sadarangani (DIN: 06610897) whose nomination as Nominee Director withdrawn by the Federal Bank w.e.f 10th June 2017. then post asserting the criteria of independence as prescribed under the Companies Act 2013 and the fit and proper criteria for appointment of directors as stipulated by Reserve Bank of India, Nomination Committee in its meeting dated 23rd June 2017 approved appointment of Mr. Dilip Sadarangani (DIN: 06610897) as an Independent Director.

We wish to place on record the significant contributions made by Mr. Suresh Kumar during his tenure as Chairman with the Company.

ii) No. of Meetings held during the year:

During the FY 2017-18, your Board of Directors met six 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	19th April 2017
2	23rd June 2017
3	28th July 2017
4	6th November 2017
5	15th February 2018
6	28th March 2018

iii) Attendance record of each Director and other details for FY 2017-18:

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. Dilip Sadarangani	Chairman & Independent Director	5*
Mrs. Gauri Rushabh Shah	Independent Director	6
Mr. Shyam Srinivasan	Non Executive Director	6
Mr. Ganesh Sankaran	Nominee Director	5
Mr. Suresh Kumar	Chairman & Independent Director	1**

*Mr. Dilip Sadarangani attended 1 meeting in the capacity of Nominee Director.

**Mr. Suresh Kumar ceased to be the Director of the Company w.e.f 19th June 2017.

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 2018, the Audit Committee of Board consists of three Directors as follows:

- Mrs. Gauri Rushabh Shah (DIN: 06625227)—Chairperson
- Mr. Dilip Sadarangani (DIN: 06610897)
- Mr. Ganesh Sankaran (DIN: 07580955)

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.

Terms of reference and role of the audit committee includes the matters specified under the Companies Act 2013. Broad terms of reference includes: to oversights of financial reporting process, to review financial results and related information, to approve or modify any related party transactions, to review Internal financial controls and risk management system, to evaluate performance of statutory and internal auditors, effectiveness of audit process, to recommend for the appointment and payments of auditors.

ii) No. of Meetings held during the year:

During the FY 2017-2018, the Audit Committee of the Board met 4 times as follows:

Sr. No.	Date
1	19th April 2017
2	28th July 2017
3	6th November 2017
4	15th February 2018

iii) Attendance record of Audit Committee for FY 2017-18:

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	4
Mr. Dilip Sadarangani	Member	Independent Director	4*
Mr. Ganesh Sankaran	Member	Nominee Director	3
Mr. Suresh Kumar	Member	Independent Director	1**

*Mr. Dilip Sadarangani attended 1 meeting in the capacity of Nominee Director.

**Mr. Suresh Kumar ceased to be the Director of the Company w.e.f 19th June 2017.

NOMINATION & REMUNERATION COMMITTEE:

i) Composition:

As on 31st March 2018, the Nomination & Remuneration Committee of Board consists of three Directors as follows:

- Mrs. Gauri Shah (DIN: 06625227) - Chairperson
- Mr. Dilip Sadarangani (DIN: 06610897)
- Mr. Shyam Srinivasan (DIN: 02274773)

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

Terms of reference of the Nomination & Remuneration Committee includes the matters specified under the Companies Act 2013. Broad terms of reference includes: to formulate the Nomination and Remuneration policy, to set criteria for determining qualifications, positive attributes and independence of a director, to formulate criteria for evaluation of independent directors and the Board and criteria for appointment of directors and senior management.

ii) No. of Meetings held during the year:

During the FY 2017-2018, the Nomination & Remuneration Committee of the Board met 4 times as follows:

Sr. No.	Date
1	19th April 2017
2	26th May 2017
3	23rd June 2017
4	28th March 2018

iii) Attendance record of Nomination & Remuneration Committee for FY 2017-18:

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
Mrs. Gauri Rushabh Shah	Chairperson	Independent Director	4*
Mr. Dilip Sadarangani	Member	Independent Director	4*
Mr. Shyam Srinivasan	Member	Non Executive Director	2
Mr. Suresh Kumar	Member	Independent Director	2**

* Mrs. Gauri Shah attended 2 meetings as the member of the Committee whereas Mr. Dilip Sadarangani attended 2 meetings as the Chairman of the Committee.

**Mr. Suresh Kumar ceased to be the Director of the Company w.e.f 19th June 2017.

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, 2018, the Board consisted of 4 members. All the Board members are non-executive directors and two are independent directors.

The Nomination and 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.

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. The Nomination and Remuneration Committee also takes into account the fit and proper criteria for appointment of directors as stipulated by Reserve Bank of India.

The detailed Nomination and Remuneration Policy of the Company is placed on the website of the Company <http://www.fedfina.com/corporate-governance.php>

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.

i) Composition:

As on 31st March 2018, the CSR Committee of Board consists of three Directors as follows:

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

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

Terms of reference of the CSR Committee includes the matters specified under the Companies Act 2013. Broad terms of reference includes: to formulate and recommend to the Board a CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act 2013, to recommend the amount of expenditure to be incurred on the CSR Activities and to institute a transparent monitoring mechanism for implementation of the CSR activities.

ii) No. of Meetings held during the year:

During the FY 2017-2018, 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	6th November 2017

iii) Attendance record of CSR Committee for FY 2017-18:

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	Independent Director	1
Mr. Shyam Srinivasan	Member	Non Executive Director	1
Mrs. Gauri Shah	Member	Independent Director	1

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 has not spent any amount on CSR activities since it is in process of creating required framework which will be helpful in identifying suitable projects towards meaningful spending on CSR contribution. The Company has taken necessary steps to overcome the hurdles for identifying suitable projects such that in the financial year 2019 your Company will fully spend the amount on its CSR projects as prescribed in the Rules.

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-I.

RISK MANAGEMENT COMMITTEE:

i) Composition:

As on 31st March 2018, the Risk Management Committee of Board consists of three Directors as follows:

- Mr. Dilip Sadarangani (DIN: 06610897) - Chairman
- Mrs. Gauri Shah (DIN: 06625227)
- Mr. Ganesh Sankaran (DIN: 07580955)

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

Broad terms of reference of the Committee includes: to approve and monitor the Company's Risk Management Policies and procedures, to review portfolio & its delinquency at a product level and NPA Management.

ii) No. of Meetings held during the year:

During the FY 2017-2018, the Risk Management Committee of the Board met three times as follows:

Sr. No.	Date
1	28th July 2017
2	6th November 2017
3	15th February 2018

iii) Attendance record of Risk Management Committee for FY 2017-18:

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. Dilip Sadarangani	Chairman	Independent Director	3
Mrs. Gauri Shah	Member	Independent Director	3
Mr. Ganesh Sankaran	Member	Nominee Director	3

IT STRATEGY COMMITTEE:

Pursuant to RBI Master Direction-Information Technology Framework for the NBFC sector, your Company's Board in its meeting dated July 28th 2017 has constituted an IT Strategy Committee to review the IT strategies in line with the corporate strategies, board policy reviews, cyber security arrangements and any other matter related to IT governance.

i) Composition:

As on 31st March 2018, the composition of IT Strategy Committee is as follows:

- Mr. Dilip Sadarangani (DIN: 06610897) (Chairman)
- Mrs. Gauri Shah (DIN: 06625227)
- Mr. Shardul Kadam
- Mr. Sudeep Agrawal
- Mr. Aditya Nabar

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

Some of the roles and responsibilities of IT Strategy Committee includes Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place, Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business, Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable, Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources and Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

ii) No. of Meetings held during the year:

During the FY 2017-2018, IT Strategy Committee met only 1 time.

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

Sr. No.	Date
1	6th November 2017

iii) Attendance record of IT Strategy Committee for FY 2017-18:

Attendance record of IT Strategy Committee Meeting held during the year are given below.

Name	Designation in the Committee	No. of Meetings attended
Mr. Dilip Sadarangani	Chairman	1
Mrs. Gauri Shah	Member	1
Mr. Shardul Kadam	Member	1
Mr. Sudeep Agrawal	Member	1
Mr. Aditya Nabar	Member	0*

*Mr. Aditya Nabar inducted to the IT Strategy Committee effective from 28th March 2018.

CREDIT COMMITTEE:

i) Composition:

As on 31st March 2018, the Credit Committee of Board consists of two Directors as follows:

- Mr. Ganesh Sankaran (DIN: 07580955)—Chairman
- Mr. Dilip Sadarangani (DIN: 06610897)

Note: CCO of the Federal Bank shall be Permanent invitee to the meetings of the Committee.

ii) No. of Meetings held during the year:

During the FY 2017-2018, the Credit Committee of the Board met twice as follows:

Sr. No.	Date
1	8th June 2017
2	28th August 2017

iii) Attendance record of Credit Committee for FY 2017-18:

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. Dilip Sadarangani	Chairman	Independent Director	2*
Mr. Ganesh Sankaran	Member	Nominee Director	1
Mr. Shyam Srinivasan	Member	Non Executive Director	1**
Mr. Suresh Kumar	Chairman	Independent Director	1***

*Mr. Dilip Sadarangani attended 1 meeting in the capacity of Nominee Director.

**Mr. Shyam Srinivasan ceased to be member of the Committee w.e.f 23rd June 2017.

***Mr. Suresh Kumar ceased to be the Director of the Company w.e.f 19th June 2017.

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

In accordance with the provisions of section 152(6) of the Act and the Articles of Association of the Company, Mr. Shyam Srinivasan, Director (DIN: 02274773) is proposed to retire by rotation at the forthcoming Annual General Meeting (AGM), and 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.

There was no change in the Key Managerial Personnel of the Company during the year under review.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS:

Both the Independent Directors attended the Meeting held on 28th March 2018, broadly 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:

All the Independent Directors have given declarations that they meet the criteria of independence laid down under Section 149 of the Companies Act, 2013.

As on 31st March, 2018, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:-

1. Mr. Dilip Sadarangani (DIN:06610897)
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, 2018.

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, CSR, IT Strategy, Credit and Risk Management Committees.

The Directors have expressed their satisfaction with the evaluation process. The Board opined that the Board Committees' composition, structure, processes and working procedures are well laid down and that the Board Committees members have adequate expertise drawn from diverse functions, industries and business and bring specific competencies relevant to the Company's business and operations.

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. They have confirmed their eligibility for the FY 2018-19 under Section 141 of the Companies Act, 2013 and the Rules framed thereunder. The Companies Amendment Act, 2017 has omitted the requirement of ratification of the appointment of statutory auditors at every subsequent annual general meeting; the relevant amendment made effective on May 07, 2018. Hence the ratification of appointment of Statutory Auditors at the ensuing AGM is not proposed. However, Pursuant to the provisions of Companies Act 2013, a resolution to delegate the authority to the Audit Committee and/or to the Board of Directors to fix the remuneration of statutory auditors of the Company for the years 2018-19 onwards is proposed in the notice of the ensuing AGM for the approval of the shareholders.

The Audit Report submitted by M/s Varma and Varma, Chartered Accountants, for FY 2018 does not contain any qualification, reservation or adverse remark.



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's Board has re-appointed M/s. SVJS & Associates, Company Secretaries to undertake the secretarial audit of the Company.

A report from the secretarial auditor in the prescribed Form MR-3 is set out in Appendix-II to this Report.

The Secretarial Auditor's Report does not contain any qualifications, reservation or adverse remark.

Your Company has complied with the Secretarial Standards as applicable to the Company pursuant to the provisions of the Companies Act, 2013.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company believes that strong internal control system and processes play a critical role in the health of the Company. Your Company's well-defined organizational structure, documented policy guidelines, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. The internal control system is supplemented by extensive internal audits, regular reviews by the management and standard policies and guidelines which ensure reliability of financial and all other records. The Internal Audit reports are periodically reviewed by the Audit Committee. Your Company's Internal Audit department performed regular reviews of business processes to assess the effectiveness of internal controls. Internal Audits were carried out to review the adequacy of the internal control systems, compliance with policies and procedures.

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 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-III.

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, one instance of fraud amounting to Rs.5.96 lakhs was detected and the same has been timely reported to the Board as well as to the Reserve Bank of India (RBI). Subsequently the Company has recovered the full amount.

Pursuant to the provisions of the Companies Act, 2013, no fraud was reported by auditors of the Company to the Audit Committee during the year under review.

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:

The Company, being a non-banking finance Company registered with the RBI and engaged in the business of giving loans, is exempt from complying with the provisions of section 186 of the Companies Act, 2013 in respect of loans and guarantees. As such, the particulars of loans and guarantee have not been disclosed in this Report. Details regarding Investments 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 2017-18:

- 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:

(Amount in Cr.)

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
2017-18	3533	20.83	3.41	24.24	27.15

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 <http://www.fedfina.com/corporate-governance.php>

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-IV



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, 2018, 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, 2018 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 would like to place on record their gratitude for the guidance and cooperation extended by Reserve Bank of India and the other regulatory authorities. The Board takes this opportunity to express their sincere appreciation for the excellent patronage received from the Banks and Financial Institutions.

Your directors also take this opportunity to place on record their appreciation to all employees for their hard work, dedication and loyalty to the Company which helped the Company to maintain its growth.

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/-

Dilip Sadarangani

Chairman

DIN:06610897

Date:12th July 2018
Mumbai

Appendix-I:**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/corporate-governance.php>

2. The Composition of the CSR Committee as on March 31, 2018

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

3. Average net profit of the company for last three financial years: Rs.20.96 Crore**4. Prescribed CSR Expenditure (2% of the amount as in item No. 3 above): Rs.41.91 Lakhs****5. Details of CSR spent during the financial year 2017-18:**

(a) Total amount to be spent for the financial year 2017-18: Rs.41.91 Lakhs

(b) Amount unspent, if any: Rs.41.91 Lakhs

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector In which The Project Is Covered.	Projects or programs 1) Local area or other 2) Specify the State and district where 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.
	NA	NA	NA	Nil	Nil	Nil	NA
Total				Nil	Nil	Nil	

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:

During the year under review, your Company has not spent any amount on CSR activities since it is in process of creating required framework which will be helpful in identifying suitable projects towards meaningful spending on CSR contribution. The Company has taken necessary steps to overcome the hurdles for identifying suitable projects such that in the financial year 2019 your Company will fully spend the amount on its CSR projects as prescribed in the Rules.



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 & the Board

DIN: 06610897

Appendix-II:**Form No. MR-3****SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31.03.2018**

[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, Alwaye
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 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 31.03.2018 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 31.03.2018 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) As informed to us, the following other laws are specifically applicable to the Company:
 1. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
 2. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016
 3. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016
 4. Master Direction - Know Your Customer (KYC) Direction, 2016
 5. The Prevention of Money Laundering Act, 2002 and the Rules made there under
 6. Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016
 7. Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010
 8. Reserve Bank Commercial Paper Directions, 2017
 9. 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 at shorter notice in certain cases in accordance with the provisions of the Act and Secretarial Standards, 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/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

During the period, the following issue has taken place:-

Sl. No.	Method of Issue	Mode of Approval	Date of Approval	Number of shares issued/Amount
1.	Private Placement	Shareholders' approval by way of special resolution in the Annual General Meeting	14.07.2017	Shareholders' approval obtained on 14.07.2017 for issuing of Secured/Unsecured Redeemable Non-Convertible Debentures on a private placement basis for an amount not exceeding Rs. 200 Crore, within the overall borrowing limits.

This report is to be read with Annexure A of even date and the same forms an integral part of this report.

For SVJS & Associates
Company Secretaries

sd/-

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

Kochi
12.07.2018

Annexure A**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 processes 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 2018 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.

For SVJS & Associates
Company Secretaries

sd/-

Kochi
12.07.2018

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

Appendix-III:

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	Commission Income	-	Commission received during the year for normal business Transactions.	1,147
The Federal Bank Ltd	Holding Company	Cash credit Facility and Term Loan- Interest Paid	1 year	Interest paid at contractual interest rate.	1,79,342
The Federal Bank Ltd	Holding Company	Issuing & Paying Agent Charges	-	At market price	110
The Federal Bank Ltd	Holding Company	Discount on Commercial Paper	Various maturities	At market price	26,464
The Federal Bank Ltd	Holding Company	Income from Distribution Business	12 months	Reimbursement of Expenses	1,38,231

Fedbank Financial Services Limited
sd/-

Dilip Sadarangani
Chairman
DIN: 06610897

Date: July 12,2018
Place: Mumbai

Appendix-IV:

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, 2018:

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, 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	91.13%

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 Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total	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) :-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A) (2)	-	190,000,000	190,000,000	100	-	190,000,000	190,000,000	100	Nil
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	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
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) :-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B)=(B)(1)+(B)(2)	-	-	-	-	-	-	-	-	-
"C. Shares held by Custodian for GDRs & ADRs"	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	190,000,000	190,000,000	100	-	190,000,000	190,000,000	100	Nil

(ii) Shareholding of Promoters:

Sl No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1st April 2017)			Shareholding at the end of the year (As on 31st March 2018)			% 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*	200	0.00	Nil	200	0.00	Nil	Nil
3	Mr. Mohanachandran KR*	100	0.00	Nil	0	0.00	Nil	0.00
4	Mr. Kl Varghese*	1	0.00	Nil	0	0.00	Nil	0.00
5	Mr. Ashutosh Khajuria*	1	0.00	Nil	1	0.00	Nil	Nil
6	Mr. Sampath D*	1	0.00	Nil	1	0.00	Nil	Nil
7	Mr. Girish Kumar Ganapathy*	1	0.00	Nil	1	0.00	Nil	Nil
8	Mr. Antu Joseph*	100	0.00	Nil	0	0.00	Nil	0.00
9	Mr. Sunny K P*	1	0.00	Nil	0	0.00	Nil	0.00
10	Mr. Ganesh Sankaran*	0	0.00	Nil	100	0.00	Nil	0.00
11	Mrs. Shalini Warriar*	0	0.00	Nil	100	0.00	Nil	0.00
12	Mr. Sumit Kakkar*	0	0.00	Nil	1	0.00	Nil	0.00
13	Mr. Baby K P*	0	0.00	Nil	1	0.00	Nil	0.00
	Total	190000000	100		190000000	100		

* jointly with the Federal Bank Ltd

(iii) Change in Promoters' Shareholding:

Sl. No.	Name of Shareholder's	Shareholding at the beginning of the year		Change during the year		Cumulative Shareholding during the year	
		(01/04/2017)				(31/03/2018)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. Mohanachandran KR*						
	Opening Balance as on 01/04/2017	100	0.000053				
	Share Transfer on 6/11/2017			-100	0.000053	0	N.A.
	Closing Balance as on 31/03/2018					0	N.A.
2	Mr. Antu Joseph*						
	Opening Balance as on 01/04/2017	100	0.000053				
	Share Transfer on 6/11/2017			-100	0.000053	0	N.A.
	Closing Balance as on 31/03/2018					0	N.A.
3	Mr. KI Varghese*						
	Opening Balance as on 01/04/2017	1	0.000001				
	Share Transfer on 6/11/2017			-1	0.000001	0	N.A.
	Closing Balance as on 31/03/2018					0	N.A.
4	Mr. Sunny K P*						
	Opening Balance as on 01/04/2017	1	0.000001				
	Share Transfer on 6/11/2017			-1	0.000001	0	N.A.
	Closing Balance as on 31/03/2018					0	N.A.
5	Mr. Ganesh Sankaran*						
	Opening Balance as on 01/04/2017	0	N.A.				
	Share Transfer on 6/11/2017			100	0.000053	100	0.000053
	Closing Balance as on 31/03/2018					100	0.000053
6	Mrs. Shalini Warriar*						
	Opening Balance as on 01/04/2017	0	N.A.				
	Share Transfer on 6/11/2017			100	0.000053	100	0.000053
	Closing Balance as on 31/03/2018					100	0.000053

Sl. No.	Name of Shareholder's	Shareholding at the beginning of the year		Change during the year		Cumulative Shareholding during the year	
		(01/04/2017)				(31/03/2018)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
7	Mr. Sumit Kakkar*						
	Opening Balance as on 01/04/2017	0	N.A.				
	Share Transfer on 6/11/2017			1	0.000001	1	0.000001
	Closing Balance as on 31/03/2018					1	0.000001
8	Mr. Baby K P*						
	Opening Balance as on 01/04/2017	0	N.A.				
	Share Transfer on 6/11/2017			1	0.000001	1	0.000001
	Closing Balance as on 31/03/2018						

* jointly with the Federal Bank Ltd

(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	
		(01/04/2017)		(01/04/2017 to 31/03/2018)	
		No of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. Shyam Srinivasan (DIN: 02274773)				
	Opening Balance as on 01/04/2017	200	0.000105		
	Closing Balance as on 31/03/2018			200	0.000105
2	Mr. Ganesh Sankaran (DIN: 07580955)				
	Opening Balance as on 01/04/2017	0	NA		
	Closing Balance as on 31/03/2018			100	0.000053

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment as on March 31, 2018:

(Rs. in Crore)

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	374.87	350	-	724.87
ii) Interest due but not paid	0.00	0	-	0.00
iii) Interest accrued but not due	0.05	-	-	0.05
Total (i+ii+iii)	374.92	350.00	-	724.92
Change in Indebtedness during the financial year				
• Addition	4761.43	841.00	-	5602.43
• Reduction	4196.01	971.00	-	5167.01
Net Change	565.42	-130.00	-	435.42
Indebtedness at the end of the financial year				
i) Principal Amount	940.07	220.00	-	1160.07
ii) Interest due but not paid	0.00	0.00	-	0.00
iii) Interest accrued but not due	0.27	0.00	-	0.27
Total (i+ii+iii)	940.34	220.00	-	1160.34

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	71.00	71.00
	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)	71.00	71.00
	Ceiling as per the Act		

B. Remuneration to other directors :

Sl. No.	Particulars of Remuneration	Mr. Suresh Kumar (Ceased to be the Director w.e.f.19.6.2017)	Mrs. Gauri Shah	Mr. Dilip Sadarangani	Total Amount
1	Independent Directors				
	• Sitting Fees for attending board / committee meetings	1.70	6.70	4.70	13.10
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	Total(1)	1.70	6.70	4.70	13.10
2	Other Non-Executive Directors				
	• Sitting Fees for attending board / committee meetings	-	-	1.80	1.80
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	Total(2)	-	-	1.80	1.80
	Total(B)=(1+2)	1.70	6.70	6.50	14.90
	Total Managerial Remuneration	It should be noticed that except sitting fees, no other 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	

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	33.56	7.71	41.27
	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
	Total	33.56	7.71	41.27

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

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

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

Dilip Sadarangani
 Chairman
 DIN: 06610897

Date: July 12,2018
 Place: Mumbai

INDEPENDENT
AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

**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, 2018, 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, 2018 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 para

- g (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, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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.

For VARMA & VARMA
Chartered Accountants
FRN 004532S

Georgy Mathew
Partner
M No. 209645

Place: Mumbai
Date: 02.05.2018

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, 2018, 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, goods and 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, goods and service tax, cess were in arrears as at March 31, 2018.
- 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 except the Company has filed an appeal u/s 246 of Income Tax Act, 1961 with ACIT against assessment order for AY 2011-12. Amount payable as per assessment order is INR 32,18,290, of which INR 5,00,000 has been paid in response to the assessment order and balance INR 27,18,290 is adjusted against refund received for the AY 2013-14.
- 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 instru-

- ments), 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 an employee, fraud has been done by employees and have fraudulently manipulated in the accounts of the customers amounting to INR 5.96 Lakhs, however, the amount has been subsequently recovered from the employees.
- 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

Place: Mumbai
Date: 02.05.2018

Georgy Mathew
Partner
M No. 209645

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, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('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, 2018, 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

Place: Mumbai
Date: 02.05.2018

Georgy Mathew
Partner
M No. 209645

FINANCIAL
STATEMENT

Balance Sheet as at March 31, 2018

(INR in Thousands)

	Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
I.	EQUITY AND LIABILITIES			
1	Shareholder's Funds			
(a)	Share Capital	3	1,900,000	1,900,000
(b)	Reserves and Surplus	4	696,807	404,634
2	Non-Current Liabilities			
(a)	Long Term Borrowings	5.1	6,571,757	2,039,368
(b)	Other Long Term liabilities	5.2	2,080	1,498
(c)	Long-Term Provisions	6	42,947	22,251
3	Current Liabilities			
(a)	Short-Term Borrowings	7	3,046,180	4,332,430
(b)	Trade Payables	8		
	-Total Outstanding dues payable to Micro Small & Medium Enterprises		99	-
	-Total Outstanding dues other than Micro Small & Medium Enterprises		21,677	9,271
(c)	Other Current Liabilities	9	2,474,662	1,296,035
(d)	Short-Term Provisions	10	40,627	22,946
	TOTAL		14,796,836	10,028,433
II.	ASSETS			
1	Non-Current Assets			
(a)	Fixed Assets			
	(i) Tangible Assets	11	32,483	25,985
	(ii) Intangible Assets	12	3,982	2,580
	(iii) Capital Work in progress	12.1	3,294	185
(b)	Deferred Tax Assets (Net)	13	30,686	28,624
(c)	Long-Term Loans and Advances	14	9,000,519	5,313,571
2	Current Assets			
(a)	Current Investments	15	92,859	-
(b)	Trade Receivables	16	5,360	12,211
(c)	Cash and Bank Balances	17	141,896	49,539

	Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
(d)	Short-Term Loans and Advances	18	5,459,288	4,583,551
(e)	Other Current assets	19	26,468	12,187
	TOTAL		14,796,836	10,028,433
	Corporate Information & Significant Accounting Policies	1-2		
	Other Notes to Accounts	26-37		

As per our report of even date attached

Shardul Kadam
President

Sudeep Agrawal
CFO

Ankit Kawa
Company Secretary
M.No.A44317

For Varma & Varma
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Dilip Sadarangani
Chairman
DIN:06610897

Gauri Rushabh Shah
Director
DIN: 06625227

Georgy Mathew
Partner
M.No: 209645

Place: Mumbai
Date: 02/05/2018

FEDBANK FINANCIAL SERVICES LIMITED

Statement of Profit and Loss for the year ended March 31, 2018

(INR in Thousands)

	Particulars	Note No	Year Ended March 31, 2018	Year Ended March 31, 2017
I)	Revenue:			
a	Revenue from Operations	20	1,965,489	1,325,822
b	Other Income	21	11,148	20,335
	Total Revenue (a+b)		1,976,637	1,346,157
II)	Expenses:			
a	Employee Benefit Expenses	22	343,546	255,860
b	Finance Costs	23	769,590	482,027
c	Depreciation & Amortization Expense		15,599	17,402
d	Provisions & write offs	24	35,908	15,726
e	Other Expenses	25	318,587	220,366
	Total Expenses (a+b+c+d+e)		1,483,230	991,381
III)	Profit / (Loss) before Tax		493,407	354,776
	Tax Expense:			
	Current tax		187,482	131,985
	Deferred Tax (Gain) [Refer Note 13]		(2,062)	(2,507)
	Profit/(Loss) for the Year		307,987	225,298
	Earnings Per Equity Share			
	Basic and Diluted (Face value of INR 10 per Equity Share)	26	1.62	1.19
	Corporate Information & Significant Accounting Policies	1-2		
	Other Notes to Accounts	26-37		

As per our report of even date attached

Shardul Kadam
President

Sudeep Agrawal
CFO

Ankit Kawa
Company Secretary
M.No.A44317

For Varma & Varma
Chartered Accountants
FRN : 0045325

For and on behalf of Board of Directors

Dilip Sadarangani
Chairman
DIN:06610897

Gauri Rushabh Shah
Director
DIN: 06625227

Georgy Mathew
Partner
M.No: 209645

Place: Mumbai
Date: 02/05/2018

FEDBANK FINANCIAL SERVICES LIMITED
Statement of Profit and Loss for the year ended March 31, 2018

(INR in Thousands)

Particular	Year Ended March 31, 2018	Year Ended March 31, 2017
Cash Flow from Operating Activities		
Net Profit before tax as per Statement of Profit & Loss	493,407	354,776
Adjustments for		
Interest on fixed deposits with Federal Bank	-	23
Provision for Standard Assets	22,754	15,345
Provision for Loss Assets	159	338
Provision for Sub Standard Asset	9,145	(201)
Provision for Doubtful Debts	3,850	245
Depreciation	15,599	17,402
Interest from Debentures	(24,731)	-
Dividend on Mutual Fund	(70)	-
Interest on Income Tax Refunds	-	(2,296)
Loss on sale of tangible assets	19	78
Profit on Sale Of Mutual Fund units (Net)	(379)	(473)
Operating Profit before Working Capital changes	519,753	385,235
Adjustments for Working Capital Changes		
Trade Receivables	6,852	(4,945)
Short-term Loans and Advances	(875,737)	(1,444,392)
Lease equalisation charge	582	1,498
Other Current Assets	(14,281)	(9,779)
Long term Loans & Advances	(3,686,948)	(2,255,468)
(Increase)/ Decrease in Receivables	(4,569,532)	(3,713,086)
Long-term Provisions	20,697	12,077
Trade Payables	12,505	(1,241)
Other Current Liabilities	38,187	225,926
Short-term Provisions	(18,227)	(8,470)
Increase/(Decrease) in Trade/Other payables	53,162	228,292
Cash generated from Operations	(3,996,618)	(3,099,558)
Interest on Income Tax Refunds	-	2,296
Taxes (paid) / refunded	(187,482)	(108,816)
Cash Flow before extraordinary items	(4,184,100)	(3,206,078)
Net Cash inflow / (outflow) from Operating Activities	(4,184,100)	(3,206,078)

FEDBANK FINANCIAL SERVICES LIMITED

Statement of Profit and Loss for the year ended March 31, 2018 (CONTD...)

(INR in Thousands)

Particular	Year Ended March 31, 2018	Year Ended March 31, 2017
Cash Flow from Investment Activities		
Purchase of tangible assets	(26,170)	(10,521)
Sale of tangible assets	135	650
Interest on fixed deposits	-	599
Investment in NCD	(92,860)	-
Dividend on Mutual Fund	70	-
Profit on Sale Of Mutual Fund units (Net)	379	473
Interest from Debentures	24,731	-
Net Cash inflow / (outflow) from Investment Activities	(93,715)	(8,798)
Cash Flow from Financing Activities		
Short Term Borrowings (Net)	(1,302,063)	1,958,775
Long Term Borrowings (Net)	4,532,389	721,868
Current Maturities of Long Term Borrowings (Net)	1,139,848	542,376
Net Cash inflow / (outflow) from Financing activities	4,370,173	3,223,019
Net increase / (decrease) in cash and cash Equivalents (A+B+C)	92,357	8,142
Opening Balance of Cash and Cash Equivalents	49,539	41,397
Closing Balance of Cash and Cash Equivalents	141,896	49,539

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.

As per our report of even date attached

Shardul Kadam
President

Sudeep Agrawal
CFO

Ankit Kawa
Company Secretary
M.No.A44317

For Varma & Varma
Chartered Accountants
FRN : 0045325

For and on behalf of Board of Directors

Dilip Sadarangani
Chairman
DIN:06610897

Gauri Rushabh Shah
Director
DIN: 06625227

Georgy Mathew
Partner
M.No: 209645

Place: Mumbai
Date: 02/05/2018



FEDBANK FINANCIAL SERVICES LIMITED

Significant Accounting Policies and Notes to Accounts

1) CORPORATE INFORMATION

The Company was incorporated on 17th April 1995 and is 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 in the business of lending mainly against Gold, Property, Wholesale Lending, Loan Against Shares, loan to other NBFCs' for further lending and also distributes retail loan/insurance products for a fee. The Company currently operates through 113 Gold Loan locations mainly spread across South India, 10 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.

FEDBANK FINANCIAL SERVICES LIMITED

Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

Asset Type	Useful Life (In Years)	Method	Rate of Depreciation (%)
Computer Equipments	3	SLM	31.67
Server	6		15.83
Office Equipments	5	WDV	45.08
Furniture & Fixtures	10		25.88
Vehicles - Cars	8		31.24

Lease hold improvements are being amortized over the period of lease.

(b) Intangible Assets:

Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization 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**(a) Short Term Employee Benefits:**

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.

(b) Defined Contribution Plan :

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.

(c) Defined Benefit Plan:

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.

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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. An 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 Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

iii. Other loans are classified/ provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (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 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 or 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 Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 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.

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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.

2.14 Derivative Accounting:

The company enters into derivative contracts in the nature of Cross Currency Interest Rate Swaps, Foreign Currency Forwards, etc with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for foreign currency transactions and translations. Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting.

All other derivative contracts are marked to market and losses are recognised in the statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

2.15 Hedge accounting

The company uses Cross Currency Interest Rate Swaps, Foreign Currency Forward contracts, etc to hedge its risk associated with foreign currency fluctuation relating to highly probable forecast transactions. The company designates such forward contracts/ Interest rate swap in a cash flow hedging relationship by applying the hedge accounting principles set out in "Guidance Note on Accounting for Derivative contracts" issued by ICAI. These forward contracts/interest rate swap are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in Cash Flow Hedge Reserve under Reserves and surplus and ineffective portion is recognised immediately in the statement of Profit & Loss. Amounts accumulated in the Cash flow hedge reserve are reclassified to the statement of Profit & Loss in the same periods during which the forecasted transaction affects Profit & Loss. Hedge accounting is discontinued when hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for Hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained until the forecasted transaction occurred. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to statement of Profit & Loss.

FEDBANK FINANCIAL SERVICES LIMITED

Notes to the financial statements for the year ended March 31, 2018

3 Share Capital

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Authorised: 30,00,00,000 (Previous Year 19,00,00,000) Equity Shares of INR. 10 each	3,000,000	1,900,000
Issued, subscribed and paid up: 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
	1,900,000	1,900,000

Note: Authorized Share capital of the company was increased to INR 30,00,00,000 divided into equity shares of INR 10/- each vide resolution passed in the AGM held on 14th July, 2017.

(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, 2018		As at March 31, 2017	
	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	-	-	-	-
Share outstanding as at the end of the year	190,000,000	1,900,000,000	190,000,000	1,900,000,000

(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, 2018	As at March 31, 2017
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%

FEDBANK FINANCIAL SERVICES LIMITED
Notes to the financial statements for the year ended March 31, 2018
4 Reserves and Surplus

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Reserves		
(i) Statutory Reserve		
Balance at the beginning of the year	118,899	73,839
Add: Transferred from surplus in Statement of Profit & Loss (Refer Note 4.1)	61,597	45,060
	180,496	118,899
ii) General Reserve		
Balance at the beginning of the year	1,033	1,033
	1,033	1,033
iii) Surplus in the Statement of Profit and Loss		
Balance as at the beginning of the year	284,702	104,464
Net Profit for the year	307,987	225,298
Less : Appropriations Transfer to Statutory Reserve (Refer Note 4.1)	(61,597)	(45,060)
	531,091	284,702
iv) Cash Flow Hedging Reserve	(15,813)	-
Total of Reserves & Surplus	696,807	404,634

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 61597 (previous year INR 45060) has been transferred to the said reserve for the year

5.1 Long Term Borrowings

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured Loans (Refer notes 5.1.1 and 5.1.2)		
Term Loan From Banks:		
- From Related parties :		
Federal Bank	2,356,250	950,000
From Others:		
HDFC Bank	992,173	707,043
DCB Bank	34,849	104,547
DCB Bank - Foreign Currency Term Loan	182,292	-
ICICI Bank - Foreign Currency Non Repatriable Term Loan	216,667	-
ICICI Bank	211,111	177,778
SIDBI	350,000	50,000
Karnataka Bank	250,000	-
Jammu & Kashmir Bank	777,778	-
Indian Bank	937,512	-
Term Loan From Others:		
Bajaj Finance Limited	234,375	-
TATA Capital Financial Services Ltd	28,750	50,000
	6,571,757	2,039,368

Notes to the financial statements for the year ended March 31, 2018
Note 5.1.1

Nature of Borrowing & Terms of Repayment	Rate of Interest	Details of Security Offered	
Federal Bank : 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, 2019.	Interest Rates in the range of 8.25% p.a. to 9.55% p.a. (Previous Year: 8.5% - 10.5% p.a.)	First Pari passu charge by way of hypothecation of receivables (except gold loan receivables) - 1.15 Times	
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.			First Pari passu charge by way of hypothecation of Loan Against Property receivables - 1.15 Times
Term Loan III- Repayment Schedule : Quarterly instalment of INR 1.875 Cr beginning from 23rd November, 2018 and ending on 23rd August, 2022 , Quarterly installment of INR 1.25 Cr beginning from 28th November 2018 and ending on 28th August, 2022, Quarterly instalment of INR 1.875 Cr beginning from 29th December, 2018 and ending on 29th September, 2022 , Quarterly installment of INR 0.625 Cr beginning from 31st January 2019 and ending on 31st October, 2022, Quarterly installment of INR 3.75 Cr beginning from 29th March 2019 and ending on 29th December, 2022 Term Loan IV- Quarterly instalment of INR 3.125 Cr beginning from 29th June, 2019 and ending on 29th March, 2023			First Pari passu charge by way of hypothecation of Loan Against Property and Construction Finance receivables- 1.15 times
HDFC Bank : 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		First Pari passu charge by way of hypothecation of Loan Against Property and Construction Finance receivables- 1.15 times	
Term Loan II - Repayment Schedule : Quarterly installment of INR 2.94Crs beginning from 13th July, 2017 and ending on 13th July, 2021		First Pari passu charge by way of hypothecation of Loan Against Property and Construction Finance receivables- 1.15 times	
Term Loan III - Repayment Schedule : Quarterly installment of INR 2.22Crs beginning from 27th March 2018 and ending on 27th March, 2020 Quarterly installment of INR 3.33Crs beginning from 13th April 2018 and ending on 13th April, 2020		First Pari passu charge by way of hypothecation of Loan Against Property and Construction Finance receivables- 1.15 times	
Term Loan IV - Repayment Schedule : Quarterly installment of INR 2.00 Crs beginning from 30th March 2018 and ending on 30th December 2022 and Quarterly installment of INR 0.50 Crs beginning from 30th March 2018 and ending on 30th December 2022		First Pari passu charge by way of hypothecation of receivables - 1.15 times	
DCB Bank: 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 - 1.15 times	
Repayment Schedule FCNR : Quarterly installment of INR 0.83 crs starting from 29th Sep, 2017 and ending on 29th June, 2020 and Quarterly installement of INR 1.56 Crores starting from 29th Sep, 2017 and ending 29th June 2021.		First Pari passu charge by way of hypothecation of receivables -1.15 times.	
ICICI Bank : Repayment Schedule : Quarterly installment of INR 1.11Crs beginning from 31st December 2017 and ending on 31st March, 2022, 18 quarterly instalments, Quarterly installment of INR .55 Crs beginning from 30th June 2018 and ending on 30th September, 2022.		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables) - 1.15 Times	
Repayment Schedule FCNR : Quarterly installment of INR 1.67 Crs beginning from 31st March 2018 and ending on 30th June , 2022.		First Pari Passu Charge by way of Hypothecation of receivables except gold loan receivables - 1.10 Times.	
SIDBI : Repayment Schedule : Quarterly installment of INR 2.50Crs beginning from 10th October 2017 and ending on 10th July 2022, 20 quarterly instalments of INR 2.5 Crs each commencing after 6 months.		First Pari passu charge by way of hypothecation of receivables - 1.15 Times	
Karnataka Bank: Repayment Schedule : Quarterly installments of INR 1.56 crs beginning from 28th June, 2019 and ending 28th March 2023		First Pari Passu Charge by way of hypothecation of receivables of the company excluding gold loans receivables - 1.15 Times.	
Jammu & Kashmir Bank : Repayment Schedule : Quarterly installment of INR 5.55 Crs beginning from 30th April 2018 and ending on 30th July, 2022	First Pari Passu Charge by way of hypothecation of receivables - 1.15 Times.		
Indian Bank: Repayment Schedule : Quarterly installments of INR 6.25 crs each beginning from quarter ending 12th March, 2019 and ending 12th December, 2022	First Pari Passu Charge by way of hypothecation of receivables - 1.15 Times.		

Nature of Borrowing & Terms of Repayment	Rate of Interest	Details of Security Offered
Bajaj Finance Limited: Repayment Schedule : Quarterly installment of INR 1.56 Crs beginning from 28th Feb 2019 and ending on 30th Nov, 2022.	Interest Rates in the range of 8.25% p.a. to 9.55% p.a. (Previous Year: 8.5% - 10.5% p.a.)	First Pari passu charge by way of hypothecation of receivables - 1.10 Times.
TATA Capital Financial Services Ltd : Repayment Schedule : Quarterly installment of INR 1.00 Crs beginning from 25th February 2017 and ending on 25th May, 2019, Quarterly installment of INR 1.875 Crs beginning from 25th August 2017 and ending on 25th May , 2019		First Pari passu charge by way of hypothecation of receivables (except gold loan receivables) - 1.10 Times

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, 2018	As at March 31, 2017
Lease Equalisation Credit	2,080	1,498
	2,080	1,498

6 Long Term Provisions

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits (Refer Note 22.1)		
Provision for Compensated Absences	1,579	932
Provision for Gratuity	5,580	2,864
	7,159	3,796
Contingent Provision Against Standard Assets (Refer Note 10.3)	35,788	18,455
	42,947	22,251

7 Short Term Borrowings

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured Loans		
Loans Repayable on demand		
From Banks:		
Cash Credit From DCB Bank (Refer Note No 7.1 & 7.2)	199,962	199,952
From Others:		
Bajaj Finance Limited	50,000	-
Loans from related parties :		
Cash Credit From Federal Bank Ltd. (Refer Note No 7.1 & 7.2)	646,769	716,990
Unsecured Loans		
Commercial Paper (Refer Note 7.3)		
- From Related Parties: Federal Bank	-	650,000
- From others	2,200,000	2,850,000
Less: Unexpired Discount	(50,551)	(84,512)
	3,046,180	4,332,430

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% - 10%

7.3. Unexpired discount on commercial papers to be redeemed within next one year is net of INR 50,551 (Previous year- INR 84,512) towards interest accrued but not due. The carrying interest rate @ 6.75% to 8.25% p.a (Previous Year 6.5% to 8.8% p.a.) In respect of commercial paper maximum amount outstanding during the year was INR 46,50,000(Previous Year INR 28,50,000)

8 Trade Payables

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Trade Payables		
- Total Outstanding dues of Micro Small & Medium Enterprises –(Refer Note 8.1)	99	-
- Total Outstanding dues other than Micro Small & Medium Enterprises	21,677	9,271
	21,776	9,271

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.

8.2. The details of amounts outstanding to Micro, Small and Medium Enterprises based on available Information with Company is as under :

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Principal amount remaining Unpaid as at the end of accounting year	99	-
Interest due on above and remaining unpaid as at the end of accounting year	-	-
Amount of Interest paid alongwith amount of payment made to supplier beyond the appointed day	-	-
Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under this act.	-	-
Interest accrued and remaining unpaid	-	-
Amount of Further Interest remaining due and payable in succeeding years	-	-

9 Other Current liabilities

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Liability Towards Capital Contracts/goods	1,476	884
Book Overdraft (From Related Party - The Federal Bank Ltd)	285,940	359,621
Current Maturities of Long Term Debt (Refer Note 5.1.1)		
From Related Parties: Federal Bank	593,750	450,000
From Other Banks:		
HDFC Bank	514,788	160,458
DCB Bank	69,697	69,696
DCB Bank - Foreign Currency Term Loan	99,999	-
ICICI Bank	66,667	22,222
ICICI Bank - Foreign Currency Non Repatriable Term Loan	71,977	-
SIDBI	100,000	50,000
Jammu Kashmir Bank	222,222	-
Indian Bank	62,500	-
From Others:		
Tata Capital Financial Services Ltd	115,000	40,000
Bajaj Finance Limited	15,625	-

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Interest accrued but not due	66,922	32,607
Other Payables:		
Undisputed Statutory Dues	10,996	4,378
Employee Related Payables	29,226	21,321
Advances From Customers	52,844	37,076
Auction Related Payables	10,022	8,917
Provision for CSR Expenses	4,569	-
MTM of Cross Currency Interest Rate Swap	4,514	-
Provision for Swap Cost	11,485	-
Other Expenses payable (Refer Note 9.1)	64,443.61	38,855
	2,474,662	1,296,035

Note 9.1 Other expenses payable includes amount due to The Federal Bank (Holding Company) INR 4,609 (Previous year - INR 2,088).

10 Short Term Provisions

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for Employee benefits: (Refer Note No 22.1)		
Provision for Compensated Absences	2,041	1,962
Provision for Gratuity	801	1,778
	2,842	3,740
Other Provisions (Refer Note 10.1)		
Provision Against Non Performing Assets (Refer Note 10.2)	17,220	4,066
Contingent Provision Against Standard Assets (Refer Note 10.3)	20,565	15,140
	40,627	22,946

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

As per the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Company has created provision for Standard assets as well as Non Performing Assets. (INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for Standard Assets		
Standard Assets	14,000,658	9,598,634
Provision at the beginning of the year	33,600	18,255
Additional provision/ (Excess Reversal) Net during the year	22,753	15,345
Provision at the close of the year	56,353	33,600

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for Non-Performing Assets		
Total Non Performing Assets	130,454	21,201
Provision at the beginning of the year	4,066	3,685
Additional provision/ (Excess Reversal) Net during the year	13,154	381
Provision at the close of the year	17,220	4,066

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 18).

10.3. Contingent Provision of INR 22,753 (Previous Year INR 15,345) on a net basis has been made during the current year against standard assets as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

11 Tangible Assets

(INR in Thousands)

	Computer Equipments	Office Equipments	Lease Hold improvements (Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server	Total Tangible Assets
Gross Block as at April 1, 2017	20,609	30,509	61,691	29,655	1,936	9,087	153,487
	(17,932)	(28,689)	(62,419)	(29,969)	(998)	(9,087)	(149,094)
Additions	3,293	5,752	6,006	2,792	-	2,953	20,796
	(2,797)	(3,510)	(430)	(229)	(1,936)	-	(8,903)
Deletions	605	2,853	-	-	-	-	3,458
	(120)	(1,690)	(1,158)	(543)	(998)	-	(4,510)
Gross Block as at March 31, 2018	23,297	33,408	67,697	32,447	1,936	12,040	170,825
Gross Block as at March 31, 2017	(20,609)	(30,509)	(61,691)	(29,655)	(1,936)	(9,087)	(153,487)
Impairment as at April 1, 2017	-	-	-	-	-	-	-
	-	(31)	(-4568)	(850)	-	-	(881)
Additions	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-
	-	(31)	(-4568)	(850)	-	-	(881)
Impairment as at March 31, 2018	-	-	-	-	-	-	-
Impairment as at March 31, 2017	-	-	-	-	-	-	-
Accumulated depreciation as at April 1, 2017	18,874	26,486	49,313	24,907	394	7,529	127,502
	(16,322)	(24,338)	(43,905)	(22,715)	(756)	(6,758)	(114,794)
For the year	1,110	3,663	5,169	2,527	482	1,192	14,142
	(2,668)	(3,728)	(6,305)	(2,565)	(450)	(771)	(16,488)
Deletions	603	2,700	-	-	-	-	3,304
	(116)	(1,580)	(898)	(373)	(812)	-	(3,779)
Accumulated depreciation as at March 31, 2018	19,381	27,449	54,482	27,434	876	8,721	138,341
Accumulated depreciation as at March 31, 2017	(18,874)	(26,486)	(49,312)	(24,907)	(394)	(7,529)	(127,502)
Total Accumulated Depreciation and Impairment as at Mar 31, 2018	19,381	27,450	54,482	27,434	876	8,721	138,341
	(18,874)	(26,486)	(49,312)	(24,907)	(394)	(7,529)	(127,502)
Net block as at March 31, 2018	3,916	5,960	13,215	5,013	1,060	3,319	32,484
Net Block as at March 31, 2017	(1,735)	(4,023)	(12,379)	(4,748)	(1,542)	(1,558)	(25,984)

12 Intangible Assets

(INR in Thousands)

Particulars	Computer Software
Gross Block as at April 1, 2017	40,294 (39,140)
Additions	2,860 (1,154)
(Deletions)/ Adjustments	- -
Gross Block as at March 31, 2018	43,154
Gross Block as at March 31, 2017	(40,294)
Accumulated depreciation as at April 1, 2017	37,715 (36,800)
For the year	1,457 (915)
(Deletions)/ Adjustments	- -
Accumulated depreciation as at March 31, 2018	39,172
Accumulated depreciation as at March 31, 2017	(37,715)
Net block as at March 31, 2018	3,982
Net Block as at March 31, 2017	(2,580)

12.1 Capital Work in progress

(INR in Thousands)

Particulars	CWIP
Gross Block as at April 1, 2017	185 -
Additions	5,437 (185)
(Deletions)/ Adjustments	2,328 -
Gross Block as at March 31, 2018	3,294
Gross Block as at March 31, 2017	(185)
Accumulated depreciation as at April 1, 2017	- -
For the year	- -
(Deletions)/ Adjustments	- -
Accumulated depreciation as at March 31, 2018	-
Accumulated depreciation as at March 31, 2017	-
Net block as at March 31, 2018	3,294
Net Block as at March 31, 2017	(185)

13. Deferred Tax Assets (Net)

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred tax assets (Net)		
Timing difference on account of :		
Depreciation and Amortisation	19,730	24,015
Provision for Employee benefits	3,350	2,608
Provision for Sub Standards, Doubtful & Loss Assets	5,015	1,407
Lease Equalisation Credit	606	519
Other Items	1,985	75
Net Deferred Tax Asset	30,686	28,624

14 Long Term Loans and Advances

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured & Considered Good:		
Retail Finances:		
Loan Against Property	5,064,971	3,609,970
MSE Loan Against Property	915,116	-
Wholesale Finances:		
Loans to Construction Sector (Real Estate Exposure)	2,222,467	1,662,876
Loan to other NBFCs ¹	744,447	-
Unsecured considered good		
Security Deposits - Rental & Others	38,944	35,065
Pre Paid Expenses	11,698	5,660
Withholding and Other Taxes Receivables (net of Provision)	2,877	-
	9,000,519	5,313,571

15 Current Investments: (At Cost or Market Value, whichever is Lower)

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured:		
Investment in NCDs (Refer note 30.6)	92,859	-
	92,859	-

16 Trade Receivables (Unsecured)

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
16.1 Other Trade Receivables		
Considered good (Refer Note 16.2)		
-More than Six Months	3,923	-
-Less than Six Months	1,437	12,211
	5,360	12,211

16.2 Trade receivables include amount due from Federal Bank (Holding Company) INR 25 (Previous year - INR 4,397).

17 Cash and Bank Balances

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
- Cash in hand	40,272	17,008
- Balance with Banks		
Current accounts	101,624	32,531
	141,896	49,539

18 Short Term Loans and Advances

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured		
(a) Considered Good		
Retail Finances:		
Loans against Gold (Refer Note 18.1)	3,391,900	3,347,803
Loans against Property	310,456	212,860
MSE Loan Against Property	34,539	-
Wholesale Finances:		
Loans to Construction Sector (Real Estate Exposure)	576,343	766,106
Loan against securities (Secured by pledge of Securities)	300,000	-
Loan to other NBFCs'	413,764	-
Loan Against Bill Discounting	26,656	-
Interest Receivable on Loans	258,553	224,726
	5,312,210	4,551,495
(b) Considered Doubtful		
Loans against Wholesale Lending	72,638	-
Loans against Gold (Refer Notes 10.1, 10.2 & 18.1)	1,454	5
Loans against Property	54,401	19,463
	128,493	19,468
Unsecured:		
(a) Considered Good		
Advance to Employees	2,396	958

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Full & Final Recovery from Employees	2,644	2,515
Prepaid Expenses	4,032	4,172
Withholding and Other Taxes Receivables (Net of Provision)	3,198	(122)
Advances for Supplies & Services	4,553	3,452
Security Deposits - Rental & Others	-	62
	16,823	11,036
(b) Considered Doubtful		
Loans against Gold (Refer Notes 10.1, 10.2 & 18.1)	1,762	1,553
Loans against Gold (Refer Note 18.1)	198	198
Less: Provisions	(198)	(198)
Interest Receivable on Loans	19	19
Less: Provisions	(19)	(19)
	1,762	1,553
	5,459,288	4,583,552

18.1. Disclosure required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Loans granted against collateral of gold Jewellery	3,395,116	3,349,361
Total assets of the Company	14,796,836	10,028,433
Percentage of Loans granted against collateral of gold jewellery to Total Assets	22.94%	33.40%

19 Other Current Assets

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured and considered good		
Reimbursement receivable from the Holding company	17,597	11,926
Interest and Other income accrued but not due	3,162	-
Premium on NCD	5,593	-
Others	116	262
	26,468	12,187

20 Revenue from Operations

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Retail Finance		
Interest/Other Charges on Gold Loans	634,516	574,511
Interest/Other Charges on Loan Against Property	596,023	391,138
Interest/Other Charges on MSE Loan Against Property	46,941	140
(b) Whole sale Finance		
Interest/Other Charges on Wholesale Lending	521,891	296,744
Interest/Other Charges on Bill Discounting	2,008	-
(c) Other Financial Services		
Commission Income- Federal Bank	1,147	9,976
Income from Distribution Business	138,231	53,313
(d) Interest from Debentures	24,975	-
Less: Premium Amortisation	(243)	-
Net Income	24,731	-
	1,965,489	1,325,822

21 Other Income

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Fees for Provision of Facilities/ Services	6,154	15,412
Interest on Income Tax Refunds	-	2,296
Profit on sale of Fixed assets	-	279
Profit on Sale Of Mutual Fund units (Net)	378	473
Income From Marketing Services	1,742	-
Dividend on Mutual Fund	70	-
Liability no longer required Written back	1,246	-
Miscellaneous Income	1,559	1,875
	11,148	20,335

22 Employee Benefit Expenses

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and other allowances	317,173	236,014
Contribution to Provident and other Funds (Refer Note 22.1)	17,275	12,469
Staff Welfare Expenses	9,098	7,377
	343,546	255,860

22.1. 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, 2018	Year ended March 31, 2017
Provident Fund	15,068	11,059
Employee State Insurance	2,207	1,410
	17,275	12,469

b) Defined Benefit Plan :

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

(INR in Thousands)

Particulars	Gratuity		Compensated Absences	
	Current year	Previous Year	Current year	Previous Year
i Reconciliation of opening and closing balances of defined benefit Obligation :				
1 PVO at the beginning of the year	4,641	1,899	2,751	1,902
2 Current Service cost	3,665	2,585	2,230	1,509
3 Interest Cost	284	126	160	132
4 Actuarial (gains) / losses	(1,428)	612	(1,024)	(357)
5 Benefits paid	(781)	(580)	(723)	(435)
6 Short Term Compensated Absence Liability	-	-	-	-
7 Present value of Defined Benefit Obligation as at the end of the year	6,381	4,641	3,394	2,751
ii Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1 Fair value of Plan assets as at the beginning of the year	-	-	-	-
2 Expected return on plan assets	-	-	-	-
3 Actuarial gains/ (losses)	-	-	-	-

Particulars	Gratuity		Compensated Absences	
	Current year	Previous Year	Current year	Previous Year
4 Actual contributions	781	580	723	435
5 Benefits paid	(781)	(580)	(723)	(435)
6 Fair value of Plan assets as at the end of the year.	-	-	-	-
7 Short Term Compensated Absence Liability	-	-	-	-
8 Funded Status	(6,381)	(4,641)	(3,394)	(2,751)
iii Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :				
1 Present value of Defined Benefit Obligation	6,381	4,641	3,394	2,751
2 Fair value of plan assets	-	-	-	-
3 Funded status	(6,381)	(4,641)	(3,394)	(2,751)
4 Unrecognized Past Service Costs	-	-	-	-
5 Net asset/(Liability) recognized in Balance Sheet	(6,381)	(4,641)	(3,394)	(2,751)
iv Expenses recognized in the Profit and Loss statement for the year ended 31st March, 2018				
1 Current Service cost	3,379	2,585	2,230	1,509
2 Interest cost	284	126	160	132
3 Expected return on plan assets	-	-	-	-
4 Past Service cost	286	-	-	-
5 Actuarial Losses/(Gains)	(1,428)	612	(1,024)	(357)
6 Short Term Compensated Absence Liability	-	-	-	-
7 Total expense recognized in the Profit & Loss Statement	2,520	3,323	1,365	1,284
v Principal Actuarial Assumptions :				
1 Discount Rate (%)	7.23%	6.69%	7.23%	6.69%
2 Expected Return on plan assets (%)	-	-	-	-
3 Salary Escalation (%)	7.38%	8.50%	7.38%	8.50%
4 Mortality	Indian Assured Lives Mortality (2006-08) Ultimate			
vi Experience History				
1 (Gain)/Loss due on obligation due to change in assumption	(968)	959	(264)	177
2 Experience (Gain)/Loss on Obligation	(461)	(347)	(760)	(533)
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.

23 Finance Costs

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Interest on cash credit/WCDL	30,447	22,551
Interest on Term Loan (Refer Note 23.2)	452,583	210,750
Discount on Commercial Paper	276,751	240,817
Other Finance Costs	9,809	7,909
	769,590	482,027

23.2 Interest on Term Loan include amount due from Federal Bank (Holding Company) INR 1,63,164 (Previous year - INR 1,40,645).

24 Provisions & Write-off

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Provision/(Excess Reversal) for Loss Assets (Refer Note 10.2)	159	338
Provision for Sub Standard Assets (Net of Recovery)	9,145	(201)
Provision for Doubtful Debts	3,850	245
Provision/(Excess Reversal) for Standard Assets (Refer Note 10.3)	22,754	15,345
	35,908	15,726

25 Other Expenses

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Rent	54,695	50,790
Electricity Charges	6,381	5,780
Repairs & Maintenance:		
Buildings	34	63
Machinery	898	787
Others	13,572	12,141
Postage & Telephones	14,839	12,311
Travelling & Conveyance Expenses	13,594	10,629
Insurance	2,155	2,546
Rates & Taxes	682	999
Legal & Professional Charges	34,810	17,968
Advertisement & Sales Promotion	4,234	3,104
Commission Expenses	84,379	45,135
Sourcing Expenses	4,645	1,659
Office Expenses	5,655	4,972
Printing & Stationery	4,570	3,672
Recruitment Charges	3,053	1,899
Security Expenses	26,764	23,034
Valuation Charges	2,826	3,362
Loss on sale of tangible fixed Assets (Net)	19	357
Corporate Social Responsibility (CSR) Expenses (Refer Note 25.2)	4,191	1,615
Sitting Fees to Directors	1,490	3,330
Payment to Auditors (Refer Note 25.1)	1,199	1,040
Service Tax & GST Expenses	23,832	9,403
Miscellaneous Expenses	10,068	3,770
	318,587	220,366

25.1 Payment to Auditors (Excluding Taxes)

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
As Auditor	1,000	800
For Other Matters	75	50
For Reimbursement of Expenses	124	190
	1,199	1,040

25.2 Corporate Social Responsibility (CSR) Expenditure

The Company has provided INR. 4,191 (Previous year amount Spent INR 1,615) towards CSR expenses in accordance with the provisions of The Companies Act, 2013. The details of the same is contained in Annexure - 1 to the Directors' Report.

26. Earnings per Share (Basic and Diluted)

Particulars	As at March 31, 2018	As at March 31, 2017
Net Profit after tax (INR in Thousands)	307,987	225,298
Weighted average number of equity shares outstanding	190,000,000	190,000,000
Earning Per Share (INR)		
Basic and Diluted (Face value of INR 10 per share)	1.62	1.19

27. Contingent Liabilities (to the extent not provided for)

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Contingent Liabilities:		
Disputed Income Taxes(1)	3,218	3,218
Other Sums contingently liable for(2)	2,260	2,260
Total	5,478	5,478

[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. 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 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.

28. Capital & Other Commitment:

(INR in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Capital Commitments		
- Estimated amount of contracts remaining to be executed on capital accounts not provided for (Net of advances)	761	4,906
Other Commitments towards partly disbursed loans	1,176,500	1,124,861

29 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, President
Sudeep Agrawal, CFO
Ankit Kawa, Company Secretary

(ii) Transactions :-

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(a) Holding Company		
Transactions during the year:		
Interest Income from Fixed Deposits	-	24
Commission Income	1,147	9,976
Income from distribution business	138,231	53,313
Re-imburements of Expenses by Holding Company	-	1,834
Interest paid on Cash Credit Facility & Term Loan	179,342	158,278
Issuing & Paying Agent Charges	110	-
Rent paid	-	309
Discount on Commercial Papers	26,464	45,367
Closing Balances in:		
- Un-amortised Discount on Commercial Paper	-	26,464
- Current Account – Receivable/(Payable)	(305,877)	(334,755)
- Borrowings Cash credit facility	646,769	716,990
- Borrowings:		
- Term Loan	2,950,000	1,400,000
- Commercial Papers	-	650,000
- Account Receivable & Reimbursements	17,621	16,323
- Account Payable	4,609	2,088
(b) Key Management Personnel		
Remuneration to President (Shardul Kadam)	7,100	6,138
Remuneration to CFO (Sudeep Agrawal)	3,356	2,898
Remuneration to Company Secretary (Ankit Kawa)	771	572

30. Schedule appended to the Balance Sheet of a non-deposit taking non-banking financial company (as required in Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016)

(INR in Thousands)

Particulars	Year ended March 31, 2018		Year ended March 31, 2017	
	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	8,570,903	NIL	2,831,743	NIL
(d) Inter-corporate loans and borrowing	NIL	NIL	NIL	NIL
(e) Commercial Paper	2,200,000	NIL	3,500,000	NIL
(f) Cash Credit Facility	846,731	NIL	716,990	NIL
(g) Working Capital Demand Loan	50,000	NIL	199,952	NIL

Assets side :

(INR in Thousands)

2. Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	Year ended March 31, 2018	Year ended March 31, 2017
(a) Secured	14,129,151	9,599,615
(b) Unsecured	1,961	21,219

3. Break up of Leased Assets and stock on hire and other assets counting towards AFC activities	Year ended March 31, 2018	Year ended March 31, 2017
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease	NIL	NIL
(b) Operating lease	NIL	NIL
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	NIL	NIL
(b) Repossessed Assets	NIL	NIL
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	NIL	NIL
(b) Loans other than (a) above	NIL	NIL

4. Break-up of Investments :

(INR in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
Current Investments :		
1 Quoted :		
(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
2 Unquoted :		
(i) Shares : (a) Equity	NIL	NIL
(b) Preference	NIL	NIL
(ii) Debentures and Bonds	92,859	NIL
(iii) Units of mutual funds	NIL	NIL
(iv) Government Securities	NIL	NIL
(v) Others (please specify)	NIL	NIL
Long Term investments :		
1. Quoted :		
(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
2. Unquoted :		
(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, 2018			Year ended March 31, 2017		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(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
2. Other than related parties (Amount net of provision)*	14,129,151	1,961	14,131,112	9,599,615	21,219	9,620,834
Total	14,129,151	1,961	14,131,112	9,599,615	21,219	9,620,834

* 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, 2018		Year ended March 31, 2017	
	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)
1. Related Parties				
(a) Subsidiaries	NIL	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL	NIL
2. Other than related parties	119,925	92,859	NIL	NIL
Total	NIL	NIL	NIL	NIL

7. Other information

(INR in Thousands)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
(i) Gross Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	130,453	21,219
(ii) Net Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	113,232	17,153
(iii) Assets acquired in satisfaction of debt	Nil	Nil

31. Disclosure in balance sheet required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
31.1 Capital to Risk Assets Ratio (CRAR):

Particulars	As at March 31, 2018	As at March 31, 2017
	%	%
CRAR	17.22	22.98
CRAR - Tier I capital	16.85	22.65
CRAR - Tier II Capital	0.37	0.33

31.2 Asset Liability Management :-

Maturity pattern of certain items of assets and liabilities as at 31st March, 2018. (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
Liabilities :									
Borrowings from banks	227,705 (566,944)	91,250 (72,500)	184,438 (79,924)	343,231 (181,836)	1,982,341 (808,116)	4,162,226 (1,504,005)	2,409,518 (535,360)	- -	9,400,710 (3,748,685)
Market Borrowings	- -	500,000 (950,000)	700,000 (1,200,000)	750,000 (900,000)	250,000 (450,000)	- -	- -	- -	2,200,000 (3,500,000)
Assets :									
Advances	327,925 (358,194)	423,969 (423,937)	845,750 (461,886)	1,374,703 (1,332,901)	2,083,424 (1,751,551)	3,129,916 (1,866,007)	1,685,171 (1,005,596)	4,260,254 (2,420,760)	14,131,112 (9,620,834)
Investments	- -	25,000 -	- -	42,859 -	25,000 -	- -	- -	- -	92,859 -

Figures in brackets are related to the previous year

31.3 Exposure to Real Estate Sector

(INR in Thousands)

Category	Year ended March 31, 2018	Year ended March 31, 2017
a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:	4,290,784	2,609,019
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, Multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits:	6,439,858	4,695,153
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	-	-
b. Commercial Real Estate	-	-

31.4 Registration obtained from Financial Sector Regulators

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

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

Particular	As at 31st March, 2018	As at 31st March, 2017
Long Term	CARE AA-	CARE AA-
Short Term	SMERA A1+	NA
Short Term	CRISIL A1+	CRISIL A1+

31.6. Provisions and Contingencies

(INR in Thousands)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Break up of 'Provisions & Contingencies' shown under the head Expenditure in the Profit and Loss Account		
Provision towards NPA	17,220	4,066
Provision made towards Income Tax	187,482	131,985
Other Provision & Contingencies (Refer Note 27 & 31.6.1)	21,026	18,137
Provision for Standard Asset	56,353	33,595

Note: 31.6.1. Other Provision includes Provision for Employee Benefits, Burglary & Corporate Social Responsibilities.

31.7 Concentration of Deposit, Advances, Exposures and NPAs

31.7.1 Concentration of Advances

(INR in Thousands)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Total Advances to twenty largest borrowers	3,109,757	1,803,161
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	22.01%	18.74%

31.7.2 Concentration of Exposures

(INR in Thousands)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Total Exposure to twenty largest borrowers/customers	3,389,990	2,238,256
Percentage of Exposures to twenty largest borrowers/customers to Total Advances of the NBFC on borrowers/customers	21.44%	20.87%

31.7.3 Concentration of NPAs

(INR in Thousands)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Total Exposure to top four NPA accounts	98,071	23,675

31.7.4 Sector Wise NPAs

Sector	Percentage of NPAs to total advances in that sector	
	As at 31st March, 2018	As at 31st March, 2017
1. Agriculture & allied activities	-	-
2. MSME	-	-
3. Corporate Borrowers	2.65%	0.43%
4. Services	-	-
5. Unsecured Personal Loans	-	-
6. Auto Loans	-	-
7. Other Personal Loans	0.39%	0.07%

31.8 Movement of NPAs

(INR in Thousands)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
(i) Net NPAs to Net Advances (%)	0.80%	0.18%
(ii) Movement of NPAs (Gross)		
a) Opening balance	21,219	23,576
b) Additions during the year	145,485	2,535
c) Reductions during the year	36,251	4,892
d) closing balance	130,454	21,219
(iii) Movement of Net NPAs		
a) Opening balance	17,153	19,855
b) Additions during the year	129,524	1,219
c) Reductions during the year	33,445	3,921
d) closing balance	113,232	17,153
(iv) Movement of provision for NPAs (Excluding provisions on standard assets)		
a) Opening balance	4,066	3,721
b) Provisions made during the year	16,780	1,316
c) Write-off/ write-back of excess provisions	2,773	971
d) closing balance	17,220	4,066

31.9 Details of Auction conducted during the year

Particulars	Period ended 31.03.2018	Year ended 31.03.2017
Number of Loan Accounts	3,533	2,154
Outstanding Amounts (INR in Thousands)	265,005	94,060
Value fetched from the Auction (INR in Thousands)	271,526	105,452
Company confirms that none of the related party participated in auctions		

31.10 Details of Customer Complaints

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
(a) No. of complaints pending as at the beginning of the year	-	-
(b) No. of complaints received during the year	14	11
(c) No. of complaints redressed during the year	13	11
(d) No. of complaints pending as at the end of the year	1	-

32 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:

Business Segments	Distribution		Retail Finance		Whole Sale Finance		Total	
	Year ended 31.03.2018	Year ended 31.03.2017	Year ended 31.03.2018	Year ended 31.03.2017	Year ended 31.03.2018	Year ended 31.03.2017	Year ended 31.03.2018	Year ended 31.03.2017
Segment Revenue	139,378	63,289	1,277,481	965,789	548,631	296,744	1,965,490	1,325,821
Segment Expenditure *	130,206	70,299	911,941	682,921	283,904	126,543	1,326,051	879,763
Allocated Expenditure (Net)	-	5,328	109,030	82,266	48,151	24,024	157,181	111,618
Results	9,173	(12,338)	256,510	200,602	216,576	146,176	482,258	334,440
Unallocated Income							11,148	18,040
Interest Income on FD & Income Tax Refund							-	2,296
Profit/(Loss) before Tax							493,407	354,776
Income Taxes							185,420	129,477
Net Profit/(Loss)							307,987	225,298
Other Information								
Segment Assets	28,303	34,764	10,220,235	7,475,743	4,548,297	2,517,925	14,796,836	10,028,433
Unallocated Assets							-	-
Total Assets	28,303	34,764	10,220,235	7,475,743	4,548,297	2,517,925	14,796,836	10,028,433
Segment Liabilities	38,488	21,182	8,662,873	5,747,641	3,498,669	1,954,977	12,200,029	7,723,799
Equity & Reserves							2,596,807	2,304,634
Total Liabilities	38,488	21,182	8,662,873	5,747,641	3,498,669	1,954,977	14,796,836	10,028,433
Capital Expenditure	665	2,263	21,376	6,914	1,615	1,065	23,656	10,242
Unallocated Capital Expenditure	-	-	-	-	-	-	5,437	-
Depreciation/ Amortisation	627	2,623	13,932	14,118	1,040	660	15,599	17,402
Impairment of Fixed Assets	-	-	-	-	-	-	-	-
Unallocated Depreciation							-	-

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

33. Disclosure on Operating Lease

33.1 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	2018	2017
Future minimum lease payments:		
- Up to one year	12,602	12,002
- More than one year and upto five years	24,085	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	12,584

33.2 In addition, All other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for offices/branches taken on operating lease INR 24,667 (Previous Year INR 38,109) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

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. The company in accordance with its risk management policies and procedures, enters into foreign currency forward contracts to hedge against foreign currency exposures relating to highly probable forecast transactions. The company does not enter into any derivative instruments for trading or speculative purposes. The counter party is generally a bank. These contracts are for a period between one day and one year.

Th following "sell" foreign exchange forward contracts are outstanding:

Foreign Currency (FC)	As at 31st March 2018		
	No of Contracts	Amount of Forward contracts (FC in Thousands)	Amount of Forward contracts (INR in Thousands)
USD	9	4,347	294,120

36. The Company has disbursed loans against mortgage of properties, and the borrowers have assigned lease rentals receivable from the said properties towards repayment of EMIs/ installments.

The borrowers have opened Escrow accounts with certain banks under lien to the Company. The aforesaid escrow accounts do not form part of these financial statements"

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

As per our report of even date attached

Shardul Kadam
President

Sudeep Agrawal
CFO

Ankit Kawa
Company Secretary
M.No.A44317

For Varma & Varma
Chartered Accountants
FRN : 004532S

For and on behalf of Board of Directors

Dilip Sadarangani
Chairman
DIN:06610897

Gauri Rushabh Shah
Director
DIN: 06625227

Georgy Mathew
Partner
M.No: 209645

