



**ADITYA BIRLA FINANCE LIMITED**

ANNUAL REPORT  
2015-16



**ADITYA BIRLA FINANCE LIMITED**  
**REGISTERED OFFICE : Indian Rayon Compound,**  
**Veraval, Gujarat – 362 266**  
**CIN: U65990GJ1991PLC064603**



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**BOARD OF DIRECTORS**

Mr. B. N. Puranmalka

Mr. Ajay Srinivasan

Mr. D J Kakalia

Mr. Ashwani Puri

Mr. Jitender Balakrishnan

Ms. Alka Bharucha

**KEY MANAGERIAL PERSONNEL**

Mr. Rakesh Singh                      Chief Executive Officer

Mr. Sekhar Mosur                      Manager

Mr. Sanjay Miranka                      Chief Financial Officer

Mr. Ankur Shah                      Company Secretary

**AUDITORS**

S R Batliboi & Co. LLP, Mumbai

**DEBENTURE TRUSTEES**

IL&FS Trust Company Ltd.  
Plot C-22, G- Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 052  
Ph: +91 22 2653 3333

## ADITYA BIRLA FINANCE LIMITED

Regd. Off.: Indian Rayon Compound, Veraval, Gujarat – 362 266

### Directors' Report

Dear Shareholders,

We are pleased to present the 25<sup>th</sup> Annual Report, along with the audited annual accounts of your Company for the financial year ended March 31, 2016 ("FY 16").

#### 1. Financial Performance Summary

The summarized standalone results of your Company are given in the table below.

Particulars	Year ended 31 <sup>st</sup> March		% Change over previous year
	2016	2015	
Total Income	2,464.88	1,780.45	38%
Total Expenses	1,830.92	1,362.90	34%
Profit before depreciation / amortisation and tax	633.96	417.55	52%
<b>Less:</b> Depreciation / amortization	7.60	6.71	13%
Profit Before Tax	626.43	410.84	52%
<b>Less:</b> Tax expenses	217.75	140.17	55%
Profit After Tax	408.61	270.67	51%
Balance of profit/ loss brought from the previous year	540.88	324.48	67%
Profit Before Appropriations	949.49	595.15	60%
Transfer to Special Reserve	81.80	54.20	51%
Proposed Dividend on Cumulative Preference Shares	0.82	0.06	1267%
Corporate Dividend Tax	0.17	0.01	1600%
Loss on account of merger of MGLRCL*	200.62 <sup>#</sup>	-	-
Dividend on Preference Shares on account of merger of MGLRCL	0.04	-	-
Balance of Profit carried to Balance Sheet	666.12	540.88	23%

\* MGLRCL – Madura Garments Lifestyle Retail Company Limited

<sup>#</sup> As a result of Merger of MGLRCL with the Company, Preference Shares of Rs. 425 Crores held by MGLRCL in the Company have been cancelled. Securities Premium of Rs. 426.42 Crores and Deficit in Profit and Loss Account of Rs. 200.62 Crores of MGLRCL have been considered as securities premium and deficit of the Company. The Company has issued Rs. 53.46 Crores equity shares and Rs. 10 Crores preference shares to shareholders of MGLRCL. The difference between the net book value after adjusting reserves of MGLRCL and the equity and preference shares issued to shareholders of MGLRCL amounting to Rs. 136.61 Crores have been transferred to General Reserve. The net impact of merger is increase in short term loans and advances by Rs. 0.86 Crores.

## **2. Business Performance**

### **a) Key Highlights**

During the year under review, the total income stood at Rs. 2,464.88 Crore as against Rs. 1,780.45 Crore in the previous year, a 38% increase. Correspondingly, the total expenses (including depreciation, provisions and write off) increased to Rs. 1,838.52 Crore from Rs. 1,369.61 Crore in the previous year, a 34% increase primarily on account of increase in the finance cost as a result of increase in portfolio growth, employee benefit expenses on account of induction of new personnel, increase in administrative expenses etc.

### **b) Business**

The Company operates through the following business divisions' viz. Corporate Finance Group (CFG), Mortgages, Project & Structured Finance Group (PSFG), Capital Market Group (CMG) and unsecured lending (business loans / personal loans).

The Company registered excellent growth across its business segments. CFG managed to cross the Rs. 6,500 Crore milestone this year registering a year on year growth of 73%. Its Portfolio grew from Rs. 4,011 Crore at the beginning of the year to Rs. 6,917 Crore as on March 31, 2016. The Mortgages business has shown a growth of 30% during the year with its Portfolio growing from Rs. 5,081 Crore as on March 31, 2015 to Rs. 6,593 Crore as on March 31, 2016. The PSFG Portfolio grew by 82% from Rs. 4,032 Crore on March 31, 2015 to Rs. 7,336 Crore on March 31, 2016. The Portfolio is well diversified across various sectors and products. The DCM & Syndication team mobilized funds of close to Rs. 2,325 Crore earning fees of Rs. 11.07 Crore. CMG registered a growth of 6 % on a year-on-year basis with the Portfolio growing from Rs. 4,157 Crore as on March 31, 2015 to Rs. 4,407 Crore as on March 31, 2016.

During the year under review the Unsecured Lending business was launched in January 2016 to offer unsecured term loans to individuals, businesses and self-employed professionals (doctors, CAs etc.) for their personal or business use. The aim is to build a granular, retail business with a focus on business loans to SMEs. Unsecured term loans offered are of a relatively smaller ticket size and complement the existing secured SME and corporate lending proposition of the Company. The business would therefore leverage the existing ABFL & ABG ecosystem to cross-sell to existing customers, vendors etc. using the Company's existing technology, infrastructure and branch network. To begin with, the business is also looking to target the Aditya Birla Group's employee base for personal loans. With the performance of unsecured lending in India steadily improving over the past 5 years and also now with the data available with credit bureaus, risk to lending to this segment is much better understood and can be controlled more effectively.

### **c) Portfolio quality**

The credit environment continued to be extremely challenging during the year. Prudent client selection, robust risk management framework, focus on secured and diversified business has helped your Company maintain a high portfolio quality. The Gross NPA was 0.63% amounting to Rs. 157.17 crore (previous year 0.90% amounting to Rs. 153.00 crore) and the Net NPA was 0.22% amounting to Rs. 55.74 crore (previous year 0.32% amounting to Rs. 54.67 crore) which is amongst the lowest in the industry.

### **d) Treasury**

The Company primarily sources funds through Term loans, Non-Convertible Debentures (NCDs), Sub-ordinate Debt and Commercial Paper (CP). The outstanding debt as on

March 31, 2016 was Rs. 21,457 Crore as compared to Rs. 14,594 Crore as on March 31, 2015, an increase of 47%.

During the year under review, the Company focused on enhancing its borrowing through private placement of NCDs and issued NCDs aggregating to Rs. 2,983 Crore, which were listed on National Stock Exchange. Issuance of Tier II NCDs, aggregating to Rs. 147 crore, has strengthened the Capital Adequacy.

Additional Bank lines of Rs. 4,975 crore were set up during the year. Relationships with 4 new banks were established. With this, the aggregate Bank limits (Term Loan and Cash Credit) of the Company crossed Rs. 13,000 crore cumulatively from 33 banks.

ALM was within the norms stipulated by the Reserve Bank of India (RBI).

Your Company continues to be rated AA+ from three agencies viz. ICRA, CARE and India Ratings for its long-term debt and sub-debt. The short-term rating limit continues to be A1+. The credit rating enjoyed by the Company as on March 31, 2016 is as follows:

Credit Rating Agency	Instruments	Ratings
ICRA	Commercial Paper	A1+
ICRA	Non Convertible Debentures	AA+
ICRA	Sub-Debt	AA+
CARE	Sub-Debt	AA+
CARE	Non Convertible Debentures	AA+
India Ratings	Non Convertible Debentures	AA+
India Ratings	Sub-Debt	AA+

The Company has not issued any debentures under rating provided by CARE and any sub-debt under rating provided by India Ratings.

### 3. Reserves

Section 45-IC of the Reserve Bank of India Act, 1934 requires Non Banking Finance Companies to transfer an amount not less than 20% of its net profit to Special Reserve Fund. Accordingly, the Company transferred Rs. 81.70 Crore to the Special Reserve Fund.

### 4. Dividend

The Board recommends dividend at the prescribed coupon rate to the holders of Compulsory Convertible Cumulative Preference Shares and the 8% Cumulative Preference Shares as final dividend. With a view to conserve its resources, the Board did not recommend any dividend on the Equity shares (NIL in previous year).

The total cash outflow on account of dividend amounts to Rs. 98.39 Lakh (inclusive of Rs. 16.64 Lakh as Dividend Distribution Tax) as against Rs. 7.02 lakh (inclusive of Rs. 1.02 Lakh as Dividend Distribution Tax) during the previous year.

### 5. Share Capital

During the year under review, your Company had a capital infusion of Rs. 702.45 Crore through issue of 5.575 Crore equity shares of Rs.10/- each at a premium of Rs.116/- per share on rights basis to the existing shareholders of the Company as detailed below:

Sr. No.	Date of Allotment	No. of Equity Shares	Face value per Equity Share (in Rs.)	Premium Amount per Equity Share (in Rs.)	Total amount (Rs. in Crore)
1	17.11.2015	100,00,000	10	116	126.00
2	29.12.2015	40,00,000	10	116	50.40
3	09.02.2016	80,00,000	10	116	100.80
4	24.02.2016	70,00,000	10	116	88.20
5	03-03-2016	80,00,000	10	116	100.80
6	29-03-2016	187,50,000	10	116	236.25
	<b>Total</b>	<b>557,50,000</b>			<b>702.45</b>

The said equity shares were issued mainly to strengthen the capital structure of the Company and improve its capital adequacy ratio.

With effect from July 1, 2015 Madura Garments Lifestyle Retail Company Limited ("MGLRCL") merged with your Company with the effectiveness date of merger being January 25, 2016. As a result of the said merger, 42.50 crore 0.01% Compulsory Convertible Cumulative Preference Shares of the Company held by MGLRCL got cancelled. The Company had to issue equity shares to the equity shareholders of MGLRCL aggregating to 534,55,883 equity shares of Rs. 10 each fully paid, in the ratio of 9 (nine) equity shares of the Company for every 32 (thirty two) equity shares held in MGLRCL and 1,00,00,000 (One crore) 8% Cumulative Preference Shares of Rs. 10 each fully paid, in the ratio of one preference share of the Company for every one preference share held in MGLRCL. There has been no change in the networth of the Company due to the said merger.

Consequent to the capital infusion and the fresh issuance and cancellation of shares due to the above stated merger, the issued, subscribed and paid up share capital of the Company stood at Rs. 744.57 Crore as on 31<sup>st</sup> March, 2016.

## 6. Management Discussion and Analysis

Management Discussion and Analysis Report forming part of Directors' Report is attached separately as Annexure 1.

## 7. Corporate Governance Report

Your Directors reaffirm their commitment to the corporate governance standards to the extent they are applicable to the Company. Corporate Governance Report forming part of Directors' Report for the year under review is attached separately as Annexure 2.

## 8. Board Meetings

The information pertaining to the meetings of the Board of Directors and its Committees and Corporate Social Responsibility (CSR) are forming part of the Corporate Governance Report of the Company.

## 9. Subsidiary

The Company doesn't have any subsidiary company.

## **10. Public Deposits**

The Company has not accepted or renewed any deposit as covered under Chapter V of the Act read with the Companies (Acceptance of Deposit) Rules, 2014, as amended, from its members or the public during the year under review.

## **11. Significant and Material Orders passed by the Regulators / Courts / Tribunals**

From Corporate Tax perspective, apart from Industry based tax litigations, revenue authorities or tribunal or court have not passed any order impacting going concern status of the Company.

## **12. Details of the adequacy of Internal Financial Controls**

The Company has put in place adequate financial Controls to be followed and that such controls are adequate and were operating effectively.

## **13. Particulars of Loans, guarantees or investments under Section 186**

Pursuant to provisions of Section 186 (11) of the Companies Act, 2013, the Company, being a non-banking finance company registered with the Reserve Bank of India and engaged in the business of giving loans, is exempted from the provisions of the said section. Accordingly, the disclosures of the loans given as required under the aforesaid section have not been given in this Report.

## **14. Risk Management Framework**

The Company's risk philosophy aims to develop and maintain a healthy portfolio which is within its risk appetite and the regulatory framework. While the Company is exposed to various types of risks, the most important among them are credit risk, market risk, Asset Liability Management (ALM) Risk and Operational risk. The identification, measurement, monitoring and management of risks remain a key focus area for the Company.

The Company's risk management strategy is based on a clear understanding of various risks, comprehensive risk assessment and monitoring procedures and robust risk mitigation policies. The policies and procedures are self-evolving and are continuously benchmarked with best industry practices.

The Risk Management oversight structure includes Committees of the Board and Senior Management. The Risk Committee of the Board ("RC") reviews compliance with risk policies, monitors risk tolerance limits, reviews and analyses risk exposure and provides oversight of risk across the organization. The RMC nurtures a healthy and independent risk management function to inculcate a strong risk management culture in the Company.

Credit Risk Management structure includes overarching credit policies and procedures, the risks which define prudential limits, portfolio criteria, exceptional approval metrics etc. at the Company level. In addition, distinct policies and processes for each business unit (Corporate Finance Group, Mortgages, Project & Structured Finance Group, Capital Market Group, and Personal & Business Loan) are defined which helps in management of credit risk and ensure consistency in credit patterns through target market definition, customer selection, underwriting standards, security structures, etc. Appropriate front-end credit buying, portfolio diversification, appraisal and approval processes, internal ratings, post sanction monitoring, operations control, fraud control, collection processes and remedial management procedures are well-defined and documented.

Credit Committees not only approve counter - party credit exposure in line with the delegation of limit authority assigned by the Board of Directors, but also focuses on post sanction monitoring. The Credit Committee also reviews the credit portfolios, non-performing loans, accounts under watch, over dues and incremental sanctions on an on-going basis.

The Company has developed an on-line monitoring tool which helps in tracking all the covenants and documentation with escalation matrix built in to enable continuous monitoring and resolution of outstanding covenants.

Concentration Risk is managed by analysing industry, sector, geographical region, single borrower and borrower group, which is done online while conducting appraisal and monitored on a regular interval.

Management of Liquidity (Asset Liability and Interest Rate) and Market Risk is carried out using quantitative techniques such as sensitivity and stress testing. ALCO reviews liquidity risk and the interest rate risk profile of the organization on a regular basis.

The Audit Committee of the Board provides direction to and monitors the quality of the internal audit function and also monitors compliance with inspection and audit reports of RBI, other regulators and statutory auditors.

Risks associated with frauds are mitigated through a Fraud Risk Management framework. Fraud Control Unit reviews matters relating to fraud risk vide 100% review of all the cases which are entered in the system, including corrective and remedial actions as regards people and processes. Various Fraud Control Management Activities like document sampling, property visit, verification of stock statement, vendor profile check, customer profile check etc. are established.

## **15. Corporate Social Responsibility**

A detailed policy of Corporate Social Responsibility (CSR) and details of CSR activities undertaken/to be undertaken are attached herein as “**Annexure 3**”.

## **16. Related Party Transactions**

All Related Party Transactions ('RPT') that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The Board has approved a Related Party Transactions Policy for purpose of identification and monitoring of such transactions. As per the policy the Audit Committee can grant omnibus approval for RPTs which are repetitive in nature after obtaining the approval of the criteria for making the omnibus approval from the Board of Directors. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all Related Party Transactions are placed before the Audit Committee for its approval on a quarterly basis. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

Particulars of contract or arrangements entered into the Company with the related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including arm's length transactions under third proviso thereto is being disclosed in Form AOC -2 and forms part of the Director's report as "**Annexure 4**".

## **17. Composition of Audit Committee**

Our Audit Committee comprises of 3 (three) members as on date viz. Mr. Ajay Srinivasan, Mr. Ashwani Puri and Mr. D J Kakalia. Out of the above members, two members viz. Mr. Ashwani Puri and Mr. D J Kakalia are Independent Directors. Mr. Ashwani Puri is the Chairman of the Audit Committee. Additional details about the Committee are provided in the Corporate Governance report.

## **18. Conservation of energy and technology absorption, foreign exchange earnings and outgo**

The details pertaining to conservation of energy and technology absorption are not applicable to the Company due to the very nature of industry in which it operates.

During the year under review, there were no foreign exchange earnings. The Company had spent Rs. 11.36 Lakh (previous year Rs. 21.33 Lakh) as expenditure in foreign exchange.

## **19. Directors / Key Managerial Personnel**

### **A. Directors**

The Board of Directors comprises of 6 (six) Directors out of which 4 (four) are Independent Directors (including 1 Woman Director).

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. The Company has received requisite disclosures and undertakings from all the Directors in compliance with the provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force) and the Reserve Bank of India directions.

At the Board meeting held on April 22, 2015, Mr. Sarvottam Agarwal resigned as the Company Secretary and in his place, Mr. Ankur Shah was appointed as the Company Secretary of the Company.

The Board of Directors at their meeting held on July 30, 2015 had re-appointed Mr. Sekhar Mosur as the Manager with revised terms and conditions of appointment for a period of three (3) years w.e.f. January 5, 2016.

The Board of Directors at their meeting held on October 30, 2015 appointed Mr. Sanjay Miranka as the Chief Financial Officer in place of Mr. Sachin Joshi who resigned with effect from September 14, 2015.

The appointment of all the above key managerial persons were duly approved by the Nomination and Remuneration Committee.

In accordance with the provisions of Section 152 of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force), Mr. B N Puranmalka, retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, has offered himself for re-appointment.

Resolutions seeking appointment of Mr. Puranmalka has been included in the notice of the ensuing AGM.

#### **(i) ANNUAL EVALUATION BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS**

The evaluation framework for assessing the performance of Directors of your Company comprises of contributions at the meetings, strategic perspective or inputs regarding the growth and performance of your Company, among others. Pursuant to the provisions of the Act and the Listing Regulations, the Directors have carried out the annual performance evaluation of the Board, Independent Directors, Non-executive Directors, Executive Directors, Committees and the Chairman of the Board. The manner of evaluation is provided in the Corporate Governance Report.

#### **(ii) Board Remuneration Policy**

The Board, on the recommendation of the Nomination & Remuneration Committee, has formulated a policy for selection and appointment of Directors, Senior Management and their remuneration.

#### **(iii) Managerial Remuneration**

The details on remuneration to Directors/Manager are disclosed in the Corporate Governance Report.

### **B. Key Managerial Personnel**

The Board of Directors at their meeting held on July 30, 2015 had re-appointed Mr. Sekhar Mosur as the Manager with revised terms and conditions of appointment for a period of three (3) years w.e.f. January 5, 2016.

The Board of Directors at their meeting held on October 30, 2015 appointed Mr. Sanjay Miranka as the Chief Financial Officer in place of Mr. Sachin Joshi who resigned with effect from September 14, 2015.

During the year, Mr. Sarvottam Agrawal had resigned as the Company Secretary and in his place Mr. Ankur Shah was appointed as the Company Secretary.

## **20. Internal Audit framework**

The Board of Directors had appointed KPMG as Internal Auditors of the Company and approved their scope and plans for the year. The objective of the Internal Audit is to cover the following:

- Review adequacy and effectiveness of transaction controls
- Review the operation of the Control Supervisory Mechanisms
- Recommend improvements in process and procedures and

- Surface significant observations and recommendations for process improvements in concise report for discussion with senior management.

## **21. Particulars of Employees**

The information on remuneration as per the provisions of Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in Annexure 5. In accordance with the provisions of Section 197 read with Rule 5 (2) to (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the statement containing particulars of employees including their names and other particulars of employees are to be set out in the Directors Report as an addendum thereto.

However, in terms of the provisions of Section 197 read with Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

## **22. Vigil Mechanism/ Whistle Blower policy:**

Pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013, Company has a Whistle Blower Policy in place for providing a platform to all the employees, vendors and customers to report any suspected or confirmed incident of fraud/misconduct through any of the determined reporting protocols. The Company has Vigil Mechanism provided for in the said Whistle Blower policy.

## **23. Policy for prevention of Sexual Harassment at work place**

The Company has put in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee 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 disposed off during the year 2015-16:

No of Complaints received	:	None
No of Complaints disposed off	:	Not Applicable

## **24. Directors' Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013 ("the Act"), your Directors confirm that, to the best of their knowledge and belief:

- in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates 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, 2016 and of the profit of the Company for the year ended on that date;

- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the attached Statement of Accounts for the financial year ended March 31, 2016 have been prepared on a “going concern basis”;
- that there were no significant deviations which could be construed as material weakness in the existing control framework and that the Company has laid down internal financial controls which were adequate and operating effectively;
- that there are proper processes and systems to ensure compliance of all laws applicable to the Company and that such systems were adequate and operating effectively.

## **25. Extract of Annual Return**

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as “**Annexure 6**”.

## **26. Auditors and Auditors’ Report**

S.R. Batliboi & Co. LLP, Chartered Accountants (Membership no. 301003E/E300005) holds office as Statutory Auditors of the Company upto the ensuing Annual General Meeting and have offered themselves for re-appointment. A certificate from them has been received to the effect that their appointment as Statutory Auditors of the Company, if made, would be within the limits prescribed under Section 139 (2) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force). The auditors have further certified that they have subjected themselves for the peer review process of the Institute of Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the “Peer Review Board” of ICAI.

The Board, on the recommendation of the Audit Committee, proposes the re-appointment of S.R. Batliboi & Co. LLP, as the Statutory Auditors of the Company for the year 2016 - 17. The said appointment of the Statutory Auditors will be subject to the approval by the shareholders at their annual general meeting.

The other observations, if any, made by the Auditors of the Company in their report read with relevant notes to the Accounts are self-explanatory and therefore do not call for any further comments.

## **27. Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company has appointed M/s. BNP & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as “**Annexure 7**”.

## 28. Appreciation

Your Directors wish to place their sincere appreciation for the valuable advice, guidance and support provided by the regulators and statutory authorities from time to time. Your Directors express their gratitude to the clients, bankers and all business associates for their continuous support and patronage to the Company.

Your Directors take this opportunity to recognize and place on record their deep sense of appreciation for the exemplary commitment and contribution made by employees at all levels. Their dedicated efforts and enthusiasm have been pivotal to your Company's growth.

For and on behalf of the Board



**Ajay Srinivasan**  
Director  
DIN - 00121181



**B N Puranmalka**  
Director  
DIN - 00007432

Place: Mumbai  
Date: May 3, 2016

**Management Discussion & Analysis****Overview of global economy**

The global macroeconomic landscape is currently charting a rough and uncertain terrain characterized by weak global growth during the year 2015-16. The situation was exacerbated by; (i) declining prices of a number of commodities, with reduction in crude oil prices being the most visible of them, (ii) turbulent financial markets (more so equity markets), and (iii) volatile exchange rates. These conditions reflect extreme risk-averse behaviour of global investors, thus putting many, and in particular, commodities exporting economies under considerable stress.

In light of this, FY16 was a year of adjustment and expectation management. Expectations of world GDP growth from many quarters have been below 3%. During the last year, we stumbled from one mini economic crisis to another in form of either the Greek debt crisis or the Chinese devaluation and then the commodity crash. Although, we have seen a patchy recovery in the equity and commodity market since January-February 2016, this can be attributed to the NIRP (Negative Interest Rate Policy) regime implemented by BoJ and the ECB, aided by the reduced expectation of rate hike by Fed. The faith in such a recovery seems limited at this point and that is getting manifested in continued downturn in most commodity prices (apart from Crude).

The developed world's long term growth expectation has been tempered in the face of ageing demographics, debt overhang and low productivity growth. This has pushed the developed market's (DM) yield to multi decade lows (the G3 GDP weighted yield at around 1% is at multi decade low).

The narrative in Emerging Markets (EM) is also similar with growth expectation of EM countries having also been downgraded to around 4.5% level down from an average of 6.5% in the previous decade. Most of the EM countries are net exporters of commodities and that has left them vulnerable in this low commodity price scenario. The EM corporate bond spreads are still low however we have seen some rise in spreads in China. Most of the central banks in EM region including China have pumped liquidity in the system through its recent policy moves and this has helped the markets. However this has left EM vulnerable to any global economic crisis. Since EM is a vast encompassing term there are of course some exceptions including India.

**Brief on Indian economic performance including growth, CAD, FD, Key reforms and outlook for next year**

FY16 was a volatile year for our markets. While policy rates eased by 75 bps, inadequate transmission created trouble and credit markets came under some stress. We expect the easing cycle to continue in FY17 through the use of both- rate cuts and better transmission measures.

Continued moderation in CPI inflation was another highlight of the year gone by. As RBI more than achieved its target CPI of 6% by Jan 2016, they continued with the monetary easing cycle that started in Jan 2015. Contained food inflation, low global commodity prices and persistent output gap were the key drivers of well-behaved inflation.

Adherence to fiscal consolidation was also a welcome move. The government managed to stick to the targeted fiscal deficit of 3.9% of GDP in FY16 as more than budgeted indirect tax revenues came to bridge in the gap created by divestment shortfall. In FY17 also, fiscal

discipline continued as the government stuck to the targeted 3% of GDP as fiscal deficit. While there is some skepticism with respect to the ambitious non tax revenue target, the indirect tax receipts may continue to make up for the slippage if any.

For a net importer like India, softer global commodity prices are a boon in ways more than one. Not only has this helped in bringing down inflation and reducing the subsidy bill of the govt. exchequer, the direct beneficiary of this is the current account. We have seen CAD as a % of GDP moderate from the highs of 4.8% in FY13 to -1% in FY16 (Est). In fact, in the current scenario we may see CAD moderating further in FY17. Not just the Current account, significant improvement is also seen in our capital flow channel. As of now, FDI flows in India are in fact sufficient to pay for our deficit in current account, thus addressing most of the external vulnerability questions. 2015 saw India as the most preferred FDI inflow location; we even surpassed China in absolute terms.

### **Industry structure and developments**

The Indian economy continues to be a bright spot globally (as per World Bank estimates, growth for FY 16 is estimated at 7.5%), buoyed by the continuing demographic dividend, reform oriented policy initiatives and an unleashing of entrepreneurial zeal among the citizens. The Indian credit industry is at a very unique juncture in its history with fundamental changes in the banking sector (receding public sector banks, coming on line of universal and niche banks etc.) and the non-banking financial sector coming into a position which points to it truly accentuating its role in the financial sector, in what is turning out to be an important complimentary role to the Banking system.

Overall credit growth over the coming decade in India is expected to remain quite robust, and NBFC growth in particular has much larger potential (NBFCs grew at 18.8% year-on-year as of Dec-15 vs. 14.5% in FY 15 and 9.5% as of FY 14). As per a BCG report, India's credit-to-GDP ratio stood at 97% (vs. 127% in Thailand and Malaysia, 165% in China, 149% in Germany, 244% in the U.S. and 447% in the U.K.) while the NBFC-credit-to-GDP ratio was just 13% (vs. 26-27% in Malaysia and Thailand, 33% in China, 29% in Germany, 130% in the U.S. and 264% in the U.K.) reinforcing the potential of growth for NBFC credit.

The Marginal Cost of Funds Based Lending Rate (MCLR) system, effective April 1, 2016, is expected to impart greater transparency in the pricing of credit and improve the transmission of policy rate into the lending rates. As on April 4, the median overnight MCLR of 26 banks, accounting for about 83 per cent of total bank credit, was 50 bps lower than the median base rate, while the median MCLR across all tenors was lower by 25 bps.

Compared with the secondary market, the initial public offering (IPO) market remained upbeat, recording a four year high mobilisation in 2015 with 64 IPOs aggregating to about US\$ 2.2 billion (about Rs. 139 billion). While the IPO index generated return of 19 per cent in 2015, the benchmark sensex yielded a negative return of 5.0 per cent in 2015.

However, overall credit market activity was weighed down by weak demand due to sluggish industrial and corporate activity and the presence of considerable slack. In addition, risk aversion among banks emanating from asset quality concerns restrained credit flows. Non-food bank credit, which had slipped into an extended single-digit growth trough in the first half of FY16, picked up in the second half of the year and recorded y-o-y growth rates of 10.7 per cent and 11.3 per cent, respectively, in Q3 and Q4. By and large, the improvement in bank credit flows has been led by the individual loans category, especially housing, in which delinquency and collateral constraints are comparatively less binding. With House and Vehicle ownership still low and household incomes rising, these categories should continue to do well. More and more people are joining the formal banking channel with government emphasizing on JAM (Jan Dhan, Aadhar, and Mobile) trinity. Also, technology is opening up several new

avenues for credit penetration. These factors present huge potential for the growth in the personal loan category. The flow of resources from banks and non-banks to the commercial sector increased by 25 per cent in 2015-16. Flows from non-banks, which include CPs, public issues, financing from all India financial institutions, housing finance companies as well as foreign sources, increased by 12 per cent.

NBFCs are and will be critical to the financial sector. Due to the nature of the financial system, there will be customers and segments of the economy that banks cannot adequately cater to and where NBFCs can add significant value for the financial system as a whole. The growth in NBFC segment has been buoyant versus banking credit growth and this has to be looked with perspective that NBFCs were transitioning to 150 days on NPA classification.

In the overall banking Industry, the low credit growth is a reflection of low demand and, to an extent, the inability of the banking system to provide large size credit given their bruised balance sheets. With capacity utilization close to 70%, the industry hasn't been too enthused to expand the balance sheet. On the other hand, banks have gone through an extensive asset quality review by RBI and their NPAs have shot up especially in the public sector space. They are constrained in their ability to expand the loan book with capital adequacy and Tier 1 ratios running low. While balance sheet cleanup is a short term negative for the credit, it paves the way for the future credit growth. With a transparent & accountable system in place, the future credit expansion is much more efficient and enables growth. Cleaned up balance sheets tend to avoid ever-greening and the new credit is allocated to the sectors with better growth potential. A glimpse in this phenomenon is provided by the dichotomy of PSU bank loan growth vis-à-vis private banks loan growth. With much cleaner balance sheets, private banks have been able to grow their loan books by about 20% vis-à-vis single digit growth for PSU banks.

We believe that the credit growth cycle is bottoming out in India. Personal loan growth is robust and should continue to do well as incomes rise and government delivers the financial inclusion agenda. Industry credit has been a laggard in the recent past but we believe that the worst is behind us. The economy is showing signs of recovery with government focusing on infrastructure spending. Programs like 'Make in India', Road/Rail/Port development, Renewable energy push, PM Awas Yojana (House for everyone) etc. will create huge demand for credit as private sector will kick-start the capital expenditure to participate in these programs. At the same time, the banks with the clean balance sheets would be ready to supply the loans.

## **Opportunities and Threats**

### **Opportunities**

- Under-penetration of financial services / products in India offers growth opportunities.
- The penetration of NBFC credit in India is lower as compared to the total credit penetration
- Tremendous brand strength and extensive reach of the Aditya Birla Group.
- Introduction of array of new products to meet the varied requirements of customers.
- The infrastructure segment is expected to see sustained growth with a significant thrust being given by the Government to this sector.

### **Threats**

- Competition from local and multinational players
- Regulatory changes
- Asset quality
- Attraction and retention of human capital

## Business Overview and Performance - Product wise

Headquartered in Mumbai, Aditya Birla Finance Limited (“the Company / ABFL”) provides quality financial services across the country through a network of branches and associates. The Company operates through 5 business segments:

- Corporate Finance Group
- Mortgages
- Project & Structured Finance Group (PSFG)
- Capital Market Group
- Business Loans / Personal Loans
- Treasury

The overall portfolio of the Company grew from Rs. 17,588 Crore in FY15 to Rs. 25,755 Crore in FY16, a growth of 46%. Business-wise portfolio growth as compared to previous year is given below:

Business/ Product	March 2016	March 2015	%
Corporate Finance	6,917	4,011	73%
Mortgages	6,593	5,081	30%
PSFG	7,336	4,032	82%
Capital Market	4,407	4,157	6%
Business Loans / Personal Loans	22	-	-
Treasury	480	307	56%
<b>Total</b>	<b>25,755</b>	<b>17,588</b>	<b>46%</b>

### i) Corporate Finance Group (CFG)

- The Corporate Finance Group (CFG) caters to the requirements of SMEs, Mid and Large Corporate and aims to provide customized financing solutions to meet their long term funding working capital needs.
- CFG posted an accelerated growth of 73% during the year with its portfolio growing from Rs. 4,011 Crore at the beginning of the year to Rs. 6,917 Crore as on March 31, 2016.
- The business has steadily focused on building a robust base of customers across the SME space thereby extending its footprint and ensuring adequate risk diversification.
- Focusing on secured transactions, the business has aimed at bringing in a sectoral approach to ensure optimum use of in-house expertise.
- The Supply chain business has been a key contributor to the growth story as the CFG continues to reach out to new clients, both within the Aditya Birla Group’s ecosystem and through external large Anchors.

### ii) Mortgages

- The Mortgages division caters to the asset-borrowing requirements of individuals as well as corporate clients through its products Loan against Property (LAP), Lease Rental Discounting (LRD), Commercial property funding and Construction Finance.

The business has successfully grown its Portfolio during the year under review and has a seasoned book now.

- Mortgages portfolio grew 30% during the year from Rs. 5,081 Crore as on March 31, 2015 to Rs. 6,593 Crore as on March 31, 2016.
- The business also consolidated its distribution footprint during the year also saw Mortgages consolidate its distribution footprint with as many as 263 new Direct Selling Agents (DSAs) being on-boarded while some non productive ones were weeded out.
- The Construction Finance (CF) business grew further during the year and stood at Rs. 1,332 Crore as on March 31, 2016.

### **iii) Project & Structured Finance Group (PSFG)**

- FY16 saw the Renewable Energy sector picking up momentum. Buoyed by revision of green energy targets, both State bodies and Developers shifted to larger sized projects in the solar and wind sectors with Project capacities in the range of 10 - 25 MW moving up to 100 MWs in general and up to 500 MWs in some cases.
- PSFG capitalized on the opportunities in the renewable sector by providing underwritten solutions for mid-sized renewable energy projects by large business houses as well as the well entrenched medium-sized players.
- Fresh Investment activity in core, manufacturing and other infrastructure sectors like roads etc. remained subdued and a bulk of the financing was characterized by asset and debt consolidations and refinance of operating assets at finer rates.
- However, a new class of investors in the form of sovereign / pension funds, global PE funds and multinational developers were seen taking over completed / near completed projects. These investors have provided much needed resources for asset turnaround and viability.
- PSFG grew its portfolio through a judicious blend of underwriting and syndication for green field projects along with co-participation in large refinance transactions underwritten by other Banks/Financial Institutions.
- In this backdrop, PSFG registered a growth of 82% with the Loan Book growing from Rs. 4,032 Crore as on March 31, 2015 to Rs. 7,336 Crore as on March 31, 2016.

### **DCM & Syndication Business**

- The portfolio was also buoyed by healthy activity in the Debt Capital Markets where several pedigreed clients were engaged with NCD/bond offerings. The DCM Business was able to source transactions, from primary as well as secondary market, for both hold and hold/downsell transactions. The team was able to downsell all its commitments within the stipulated timeframes resulting in capital gains for the business.
- The Syndication Business too established itself in the term loan space within the lending industry, garnering support across the universe of lenders in India for a variety of transactions syndicated.

### **iv) Capital Market Group (CMG)**

The year witnessed a number of spikes in volatility across equities, fixed income, currencies and other asset classes. Emerging market assets were particularly volatile and largely at the centre of investors' worries with Indian markets not being an exception. The volatility was largely driven by the economic crisis in Greece, currency devaluation by China, falling commodity prices and the hike in rates by the US Federal Reserve. However, the continuous positive action by the government and falling energy prices helped the Indian economy to build some stability during the year.

- The CMG loan book grew 6% over last March to Rs. 4,407 Crore without any addition to stressed accounts thereby retaining its podium position in CMG space.
- Domestic investors showed confidence in the Indian economy and poured a record Rs. 67,000 Crore in Indian equities while foreign portfolio investments (FPIs) investment stood at Rs. 13,000 Crore.
- CMG gives its customers an opportunity to meet their liquidity requirements through optimum use of assets held with them including shares, mutual funds, insurance policies and others.
- Key to the business strategy has been the Portfolio mix & diversification through focus on HNI segment and broad based sourcing channels & asset classes.
- Underwriting has been prudent and selective.
- From an outlook perspective, backed by the positive fundamental movements, the Indian economy and its capital markets are likely to perform better compared with peers. This traction should help the business reap optimum benefit.

#### **v) Business Loans / Personal Loans**

The Unsecured Lending business was launched in January 2016 to offer unsecured term loans to individuals, businesses and self-employed professionals (doctors, CAs etc.) for their personal or business use. This business closed the fiscal with a portfolio of Rs. 22 crore.

### **COMPANY STRATEGY/ POSITIONING**

Your Company has built a reputation for its solution-oriented approach and for structuring transactions based on customers' requirement. While your Company works according to defined and standardised processes, its ability to manage specific customer requests while adhering to policies and managing risks, is one of its strengths.

Over the last year the Company has consolidated its businesses across Corporate Finance, PSFG, Mortgages and Capital Markets while actively entering the Retail segment via launch of Unsecured Lending business and Personal Loans targeted at MSMEs and individuals respectively. This helped the Company to reduce the concentration risk and align its strategy with its long term vision of sustainable growth.

Your Company has identified its objective of having hassle-free processes, prudent customer selection, customer centric approach, robust risk management and faster turn-around-time (TAT). Your Company has a dedicated business credit team to evaluate all proposals on parameters such as borrower financials, credentials and security analysis. It also provides suggestions to make the parameters workable. Generally, in the BFSI industry, the evaluation is done only by the risk team. At ABFL, the credit process works as an additional check point and helps in ensuring faster approvals.

Your Company has built a robust and pro-active portfolio management capability with well-defined early warning loss systems. Besides, the Company has created strong counter fraud protocols and collection capabilities along with stringent monitoring.

#### **Future Strategy – adding technology and digital capabilities**

Your Company has invested heavily in IT systems to pave way for seamless on-boarding and servicing of its customers, and given the changing technological landscape, the Company is parallelly developing digitised modes of acquiring and servicing customers. Your Company is cognizant that like the industry, we too will continue to rely heavily on the existing model of business acquisition, which is relationship based, but technology trends suggest that efforts need to be directed towards using the digital platform too.

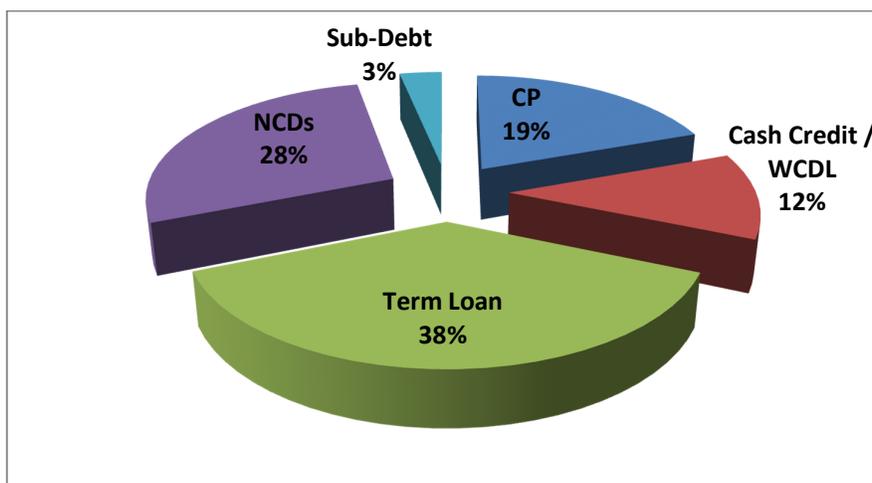
Our recently launched products such as unsecured lending and proposed digital lending are aligned with our strategy of extending into retail businesses enabled by technology. Digital Lending will evolve as a paperless and resource light model to source, evaluate and service customers. The Company will also focus on building strong customer analytics which will enable it further enhance revenue generation and loss prevention.

Our customers for these businesses will be self-employed individuals and small and medium businesses for whom our digital and relationship based platforms will serve as a one-stop-shop for all financing solutions. The addition of digital capabilities will further strengthen our proposition for this segment of customers who have among the highest need for funding but are currently underserved.

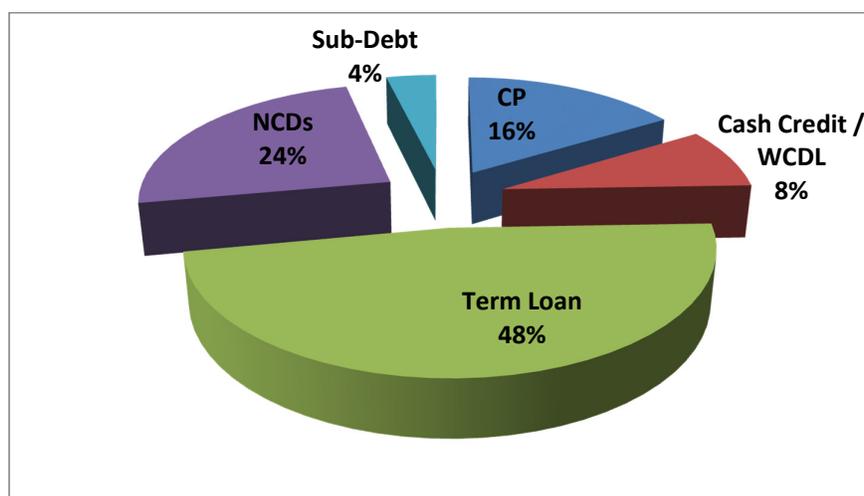
The Company also intends to further leverage the Aditya Birla Group ecosystem to provide customers with both asset and liability solutions.

### Borrowing Profile

The borrowing profile of the Company as on March 31, 2016 and March 31, 2015 is shown below:

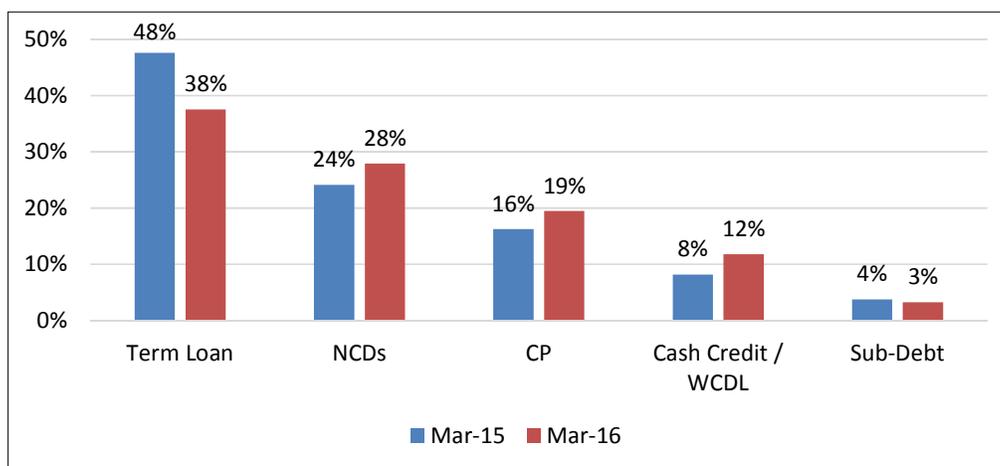


March 31, 2016 – Outstanding Debt Rs. 21,409 crore

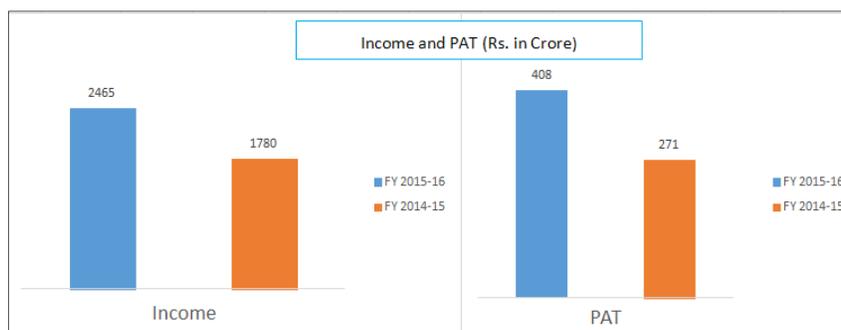


March 31, 2015 – Outstanding Debt Rs. 14,594 crore

Your Company increased its NCD issuances in the current financial year which helped in bringing down its overall borrowing cost. The Company had its largest single issue NCD of Rs. 1,000 crore in April 2015. During the year, the short-term rating limit was enhanced from Rs. 4,500 crore to Rs. 6,000 crore, thereby enabling the Company to access lower cost debt. The chart below shows the movement of contribution from various products in line with the Company's strategy of bringing down the cost of borrowing.



### Financial Performance



During the year under review, income of the Company grew by 38% to Rs. 2,465 Crore. Profit after Tax registered a growth of 51% to Rs. 408 Crore.

### Capital Adequacy Ratio (CAR)

As on March 31, 2016 the Capital Adequacy Ratio for the Company was 16.14% (previous year 16.94%) against a minimum of 15% as required by RBI norms. The Tier I capital of the Company was 13.67% (previous year 13.98%) and Tier II capital was 2.47% (previous year 2.96%).

The Networth of the Company as at March 31, 2016 was Rs. 3,695.58 Crore as against Rs. 2,584.83 Crore in the previous year. Additional capital aggregating Rs. 702.45 Crore was infused to meet the growth requirements of the Company. Total borrowing outstanding as at March 31, 2016 was Rs. 21,409 Crore (previous year Rs. 14,594 Crore). The Company has not raised any fixed deposits from the public.

## **Outlook**

Healthy capital flows alongside a low current account deficit, above normal monsoon forecast, Seventh Pay Commission and Government Initiatives like Make in India and Start Up India will help to boost consumption and investment in the economy. However, some concerns remain around increase in crude oil prices leading to inflationary pressures and in turn hindering the RBI from further easing its monetary stance or policy rates.

According to the recent Economic Survey, the Indian economy will continue to grow more than 7 per cent in 2016-17 which would result in credit expansion and with the Government of India's renewed focus on manufacturing through the 'Make in India' initiative and on renewable energy through forum like RE-Invest, this is expected to augur well for investment across these sectors.

From an outlook perspective, backed by the above fundamental movements and increase in disposable income level of citizens the Indian economy also due to the pay hikes in payouts for government employees is likely to perform better compared with its peers. This traction should help the all Lines of Businesses to reap optimum benefit and register growth

Given the focus on housing, introduction of Real Estate Bill and overall infrastructure, in the long term, we are positive of the prospects in the Real Estate sector and expect our mortgages backed portfolio growth to continue being strong. The Government of India has launched an initiative to create 100 smart cities as well as Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for 500 cities with an outlay of Rs. 48,000 crore (US\$ 7.47 billion) and Rs. 50,000 crore (US\$ 7.34 billion) respectively. Further the government also plans to streamline the regulatory structures across different sectors of infrastructure to tap additional financial resources. This will boost infrastructure growth which is expected to drive investment in Infrastructure and allied sectors in the medium to long term and thus helping business growth for PSFG.

The Indian economy currently stands at a strong footing with the interest rate rolling downwards, key macro variables like CAD and Fiscal deficit mostly under control and the government's continued push for reforms and ease of doing business. International agencies continue to remain positive on India with an expected growth for 2016 pegged at 7.50 percent. India is likely to gain momentum in the year to come as the results of earlier measures are visible. The key factors which are likely to aid growth during the year are the impact of the executive action addressing systemic issues in key sectors like mining, railways, defense, banking, roads and power.

## **Outlook on inflation and rates and currency**

After the large gains seen in CPI in FY15, the inflation has been relatively stable during the past year. It saw a high of 5.7% and a low of 3.7% during year. As of now, its core CPI (CPI excluding food, fuel and petrol/diesel) inflation, which is attracting attention from both the RBI and other economy observers.

After about 18 months of deflation, WPI has finally turned positive in April 2016. We expect WPI to stay positive in FY17, both on account of favorable base effects waning and sequential increase in prices (both naturally and administered- read- import duty increase et al).

With global commodity prices having stabilized at these levels and in fact some of the commodities having seen decent uptick from lows we can see WPI to picking up gradually over the year thus narrowing the gap between WPI and CPI in FY17.

A direct impact of well-behaved inflation over the medium term is that the natural rate of currency depreciation is expected to taper. One of the key concerns of a foreign investor investing in Indian markets is the currency volatility which did in fact eat away most gains in the last 5 years. This is unlikely to repeat in the medium term as inflation differentials with trading partners are expected to narrow down.

### **Outlook on domestic growth**

By far the strongest driver of growth in India is private consumption. The consumption indicators being used to estimate growth such as car and utility vehicle sales, petrol demand, uptake of personal loans, telecom subscriber base and passengers transported by airlines are all pointing to a strong and sustained revival in consumption.

This could be further augmented in FY17 by the 7th Pay Commission and expected better than average monsoon post two consecutive drought years. India's demographics could therefore ensure the consumption led growth will remain supported.

To this end, the central government has also aligned its policy towards fiscal consolidation. A concern for domestic growth is India's banking system, which is reeling under a non-performing assets issue. It would be difficult for banks to sustainably support a revival in the investment cycle without resolving the asset quality worries.

Capacity utilization in the country is still low. Industrial production as represented by IIP has been weakening.

In light of the above, the multiple reforms being implemented by the government are a step in the right direction. But India cannot stay immune to the global business cycles and domestic structural shifts. Our assessment is that while India would continue to prosper at a superior pace versus the world, the government would need to push the Key reforms so that growth can inch higher.

### **Outlook on earnings growth and equity market**

On the earnings front, for the past six years, the market participants have been expecting strong earnings growth at the beginning of the year only to downgrade steeply by the end of the year. In FY16 also, earnings were expected to grow in mid double digits only to see a revision to single digit growth after two quarters. Going into FY17, these factors could reverse. It was the fourth time in 115 years that we have seen back to back monsoon failure and there has never been a triple monsoon failure. As predicted by IMD India is expected to receive above normal rainfall in 2016. As WPI inflation picks up, the deflator is expected to rise thus uplifting the nominal growth rate. Under the new liquidity framework, we also expect better transmission of rate cuts facilitated by change in MCLR guidelines. With these in mind, we expect that the trend could reverse in FY17 to clock earnings growth of 15% with a high degree of probability. With reasonable valuations and earnings growth, Indian markets provide an opportunity for sustainable long term wealth creation.

### **Trends in Household savings and drivers going forward**

The low levels of savings rate and also its composition in favour of physical savings is one of the major impediments in kick starting investment driven growth story in India. While one of the key objectives of financial inclusion is to improve the overall financial savings

of the households at large, another important step in this direction was taken by tweaking the rates of NSSF (national small savings scheme) so as to gradually shed the practice of financial repression.

We are still an economy where 47% of our financial assets reside in banks despite so many other financial instruments available that can potentially yield better returns. As this financial literacy becomes more pervasive, not only will the size of the pie increase as a whole, even the distribution between bank and non-bank sources of funding and deposits are likely to undergo a sea change, a change for good. This is not an easy task and therefore can take longer to influence saving patterns of the masses.

### **Other policy measures, review of FY16 and preview for FY17**

Keeping alive the spirit of incremental reforms, a number of small new steps were undertaken in the year gone by. While there were some clear misses, such as GST getting stalled again, there were some important decisions as well.

India has made great strides in removing the barriers to the entry of firms, talent, and technology into the Indian economy. Less progress has been made in relation to exit. The government's initiatives including the new bankruptcy law, rehabilitation of stalled projects, proposed changes to the Prevention of Corruption Act as well as the broader JAM agenda hold the promise of facilitating exit, and providing a significant boost to long-run efficiency and growth.

The other key focus area of the government is to improve the ease of doing business by addressing various administrative concerns and making the process simpler and quicker, not just from a foreign flows perspective but also to act as an important and much needed catalyst to facilitate investment growth in India.

Doing their bit, the RBI is also trying to unburden the banks by developing the bond markets. The recently released discussion paper on "Framework for enhancing credit supply for Large Borrowers through market mechanism" requires the large borrowers to borrow 50% of their annual borrowings from the bond markets. This could prove to be a landmark for the development of bond markets in India. A well-functioning bond market would provide an additional avenue for raising capital. It would also give transparency to the system by pricing the loan efficiently.

### **Risks and concerns**

The Company's risk philosophy involves developing and maintaining a healthy portfolio within its risk appetite and the regulatory framework. While it is exposed to various types of risks, the most important among them are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The measurement, monitoring and management of risks remains a key focus area for the Company.

Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked against best practices in the market.

The Board of Directors have an oversight on all the risks assumed by the Company.

For credit risk, distinct policies and processes are in place, separately for each business unit (Corporate Finance Group, Capital Market Group, Mortgages and Project & Structured

Finance Group, Business loans/Personal loans). Management of credit risk is carried out through credit policy definition, target market definition, appropriate front-end credit buying, portfolio diversification, appraisal and approval processes, internal ratings, post sanction monitoring, operations control, fraud control, collection processes and remedial management procedures. For each product, programs defining customer segments, underwriting standards, security structures, etc. are specified to ensure consistency of credit patterns. All the cases are approved by Credit Committees formulated at different levels with respective approval limits.

### **Internal control systems and their adequacy**

The Company has adequate systems of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported correctly. The Company carries out extensive and regular internal audit, policy reviews, guidelines and procedures to ensure that the internal control systems are adequate enough to protect the Company against any loss or misuse of the Company's assets.

### **Customer Service**

Acknowledging the need to provide a centralized service desk to our growing businesses, the Company has envisaged and designed a customer services framework, with a pivotal customer contact centre for service delivery. During the FY 2015-16, we have consolidated and strengthened a robust network for delivering an exceptional and seamless service experience.

Our customers can reach us anytime over phone, write to us, visit their nearest branch or login to our integrated website portal to experience a consistent service culture. On our integrated portal, customers have 24/7 access to their loan details as well as to a wide range of self-service options. Our customer contact centre receives over 1,500 calls per month and generated over 100 crores of business in FY 2015-16.

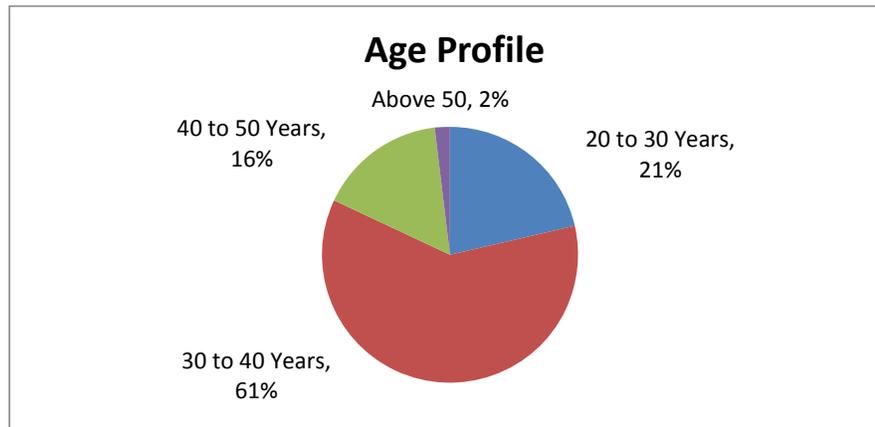
A number of initiatives were undertaken last year to enhance the customer experience:

- Specialised Asset Service Desk at branches for swift query resolution
- 'Click to callback' functionality on the website
- Integrated web portal for self-service
- CMG loan drawdown details at the customer's fingertips via 'Missed call alert' functionality
- Initiated the process of integrating processes through common CRM platform to deliver seamless and quick service
- Capture VOC at all touchpoints and Moment of Truths including Post call VOC, via SMS and on tabs at branches

### **Material development in Human resources, including number of people employed**

As on March 31, 2016 your Company had 472 employees. Your Company has cordial relations with its employees and commends their commitment, dedication and competence shown in all aspects of business. With the growing requirements of the Company, HR has taken various initiatives to ensure not only the retention of the employees but also their growth and development. The Employee Value Proposition of the Company has been identified as "WORLD OF OPPORTUNITIES" and manifests through a structured induction process, robust talent management Process & Systems,– and structured

Training & Development programs across all the levels along with a thorough Rewards & Recognition Framework to celebrate valued behavior and competencies.



Your Company's vision is to be a leader and role model in a broad-based and integrated financial services business. The Human Resource function is aligned to this and ensures that it partners the businesses in realising the Company's vision. In the process, the Company has created a range of HR Best practices to engage its colleagues better:

**Recruitment & Selection** – PI (Predictive Index) tool is a pre-recruitment tool that serves as a guide to employee behaviour and is administered to all new recruits. This has been introduced to ensure quality talent intake by evaluating the candidature through psychometric testing.

**Induction & Onboarding** – 'Accelerate' is the Company's on-boarding program that spans 6 months. It was conceptualized and implemented with the aim of introducing a comprehensive process which would not only help employees engage better with the organisation, but would also help them align to its strategic objectives, goals and culture. 'Accelerate' engages with new employees at regular intervals to ensure that all their requirements are met and they can be integrated in the organisation quickly. New employees receive a pre-joining mailer, a welcome call and a personalised Welcome Kit. Regular feedback is mandated — at the end of 30, 90 and 180 days. Manager feedback is sought after 120 days, based on which appropriate training is planned for the employee to equip him or her with the right skills to excel at the job. The Accelerate programme focuses on:

- Providing **clarity of job role** right at the beginning, thereby removing ambiguity in terms of goals, expectations and KRAs
- Ensuring **seamless transition** into the ABFL culture
- Liaising with the Learning and Development team for training needs identified by the feedback process
- **Highlighting critical cases** requiring immediate attention, thereby enabling corrective action to be taken and controlling early attrition

**Training** – Your Company encourages and enables employees to own their learning through an array of structured tools and processes. These include 'Propel', a competency mapping by employees with a review from line manager, and structured training calendars covering both behavioural and functional competency trainings. The results of Propel provide a view of the present skill sets and gaps, with future growth goal, thus enabling employees to understand their learning needs. It also helps the HR team in **succession planning** for various critical positions in the organisation. Your Company is the only NBFC

to have conceptualized and effectively implemented an extensive Functional Competency Framework.

Based on the Propel data trends and inputs from the business teams, the final annual training plan is created and shared with all the employees through **Evolve**, our Annual and Quarterly Training Calendar. This comprehensive Training Calendar provides details of all programs that address the functional and behavioural development needs of employees.

**Employee Engagement** – Your Company has a strong focus on employee engagement, borne out by the Engagement Score of 84% in the Employee Engagement Survey, VIBES 2014, conducted biennially. This has been the outcome of regular employee engagement including events like the Annual Picnic, Women’s Day, Cricket Tournament and Bandhan, the ABFL Family day.

**Employee Wellness** – A number of key initiatives help our employees achieve a healthy work-life balance – Diet counselling, Health Camps, Yoga and Zumba sessions, participation in the Standard Chartered Marathon and Stepathlon. Your Company has empanelled ‘Medi Assist’ to provide a comprehensive health check-up program to its employees at well-known medical centres. Under this program, the entire cost of the employee health check-up is borne by the Company. Additional services provide our employees with peace of mind in times of crisis - Insurance (mediclaim) and Code Red, a 24X7 Emergency Support Helpdesk service in case of accident, medical emergency or loss of travel documents. To ensure workplace safety, a communication initiative at the Group level called ‘ABFSG Wellness at Work’ ends regular communication to employees to sensitize them on work-place safety. Vitamin H is the Group’s comprehensive information and solution portal for all wellness related issues. It is an interactive platform for employees and their families to connect with each other as well as experts from the field of health and wellness.

**Talent Management and Leadership Program** – To capitalise on the vast opportunities that have opened up in the Indian financial sector, we look to strong leadership to drive the business to the next level and set it up for bigger successes. To be future ready, ABFSG’s Leadership Talent Development Program (LTDP) is striving to build a reservoir of leadership talent. The LTDP intervention readies our internal talent to take on larger leadership roles and, when the opportunity arises, to take over the baton.

**Rewards & Recognition**– At ABFL, reward and recognition programmes have been instituted to recognise exceptional employee performance. UDAAN is a monthly, quarterly and annual recognition platform, while regular contests are announced to encourage employees to push their performance levels.

At the Financial Services Group level, ABFSG Awards have been instituted to recognise exemplary performers.

For our sales teams, sales incentives plans are communicated at the beginning of the year. Other functions are on a variable pay structure that links to achievements of goals. The compensation structure is innovative and the variable pay is linked to the achievement of individual, functional and organisation performance.

### **People Planning & Budgeting**

Every year your Company undertakes an HR planning exercise in alignment with the organisation’s strategic plan for the year. The HR Plan is based on a thorough analysis of employee productivity, business projections, training needs, business environment, thus aligning the Human Resources function with ABFL’s mission.

The HR Strategic Objectives achieved through the Planning and Budgeting exercise are:

1. **Optimal workforce planning** – right people with the right skills at the right time
2. **Organisation Agility** – keep up with social, legislative, economic and technological trends that might have an impact on us
3. **Flexible Organisation** – remain flexible so that we can adapt quickly to manage environmental changes
4. **Equip for Success** – keep the organisation equipped for the future challenges through learning and development initiatives
5. **Engaged workforce** – develop an emotional connect to the organisation and its goals in the minds of the employees

## **Corporate Social Responsibility**

Your Company understands the need to give back to society, and promote equitable development and prosperity in the communities it serves. Your Company encourage employees and other stakeholders to participate in activities that contribute to the wellbeing of our wider society.

Last year, your Company sponsored a five-year programme for girl child education in collaboration with the NGO Project Crayons. On every donation of Rs.100 from the customer side, the Company added Rs. 10,000. This initiative received an overwhelming response from employees and the total contribution was more Rs.6 lakh. Your Company also partnered with NGO Goonj to deliver relief in the form of blankets, woollens, dry ration, utensils etc., to the millions of people affected by the J&K floods last year.

Another such initiative is the “DaanUtsav” – The Joy of Giving to make sure we reach the underprivileged children. A joint program which involved the Company’s employees along with customers resulted in better endowment for the program. In this initiative RMs’ reached out to all new customers being on-boarded for their contribution.

Details of CSR activities undertaken/to be undertaken are also attached as “**Annexure 3**”.

## **Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company’s plan and objectives, financial conditions, business prospects, estimates and expectations may be forward looking statements which are based on the current belief, assumptions, projections of the Directors and the management of the Company. These statements do not guarantee the future performance and are subject to known and unknown risks, uncertainties and other factors some of which may be beyond the control of the Company. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company’s operations include unavailability of finance at competitive rates, significant changes in political and economic environment in India or key markets abroad, tax laws, litigations, exchange rate fluctuations, interest and other costs.

## Report on Corporate Governance

### **Philosophy of Corporate Governance**

Your Company continues to be committed to good Corporate Governance aligned with best practices. We believe that good Corporate Governance emerges from the application of best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics. The Company places great emphasis on values such as empowerment and integrity of its employees, safety of the employees & communities, transparency in decision making process, fair & ethical dealings with all and accountability to all the stakeholders.

### **Corporate Governance reporting under Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

The Company is an unlisted company as its shares are not listed on any stock exchange and hence the provisions of corporate governance prescribed in Chapter IV and Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable to the Company. Yet the Company on a suo-moto basis, has taken all necessary initiatives to comply with the provisions of corporate governance to the maximum extent possible and endeavors, in true spirit, to go well beyond the mandatory provisions. However, as per the provisions of the Companies Act, 2013, the Company is considered as a listed company as its debentures are listed. As per the provisions of the Companies Act, 2013, various disclosures are now required to be in the Directors' Report of which the disclosures relating to the Directors, the Board, its Committees and their meeting are given herein below:

#### **I) Board of Directors ("Board")**

The Directors are elected by shareholders of the Company with a responsibility to set strategic objectives for the management and to ensure that the long term interests of all stakeholders are served by adhering to and enforcing the principles of sound corporate governance.

The Board members have diverse areas of knowledge and expertise, which is necessary in providing an independent and objective view on business issues and assess them from the standpoint of the stakeholders of the Company. The Board is independent of the management.

#### **A. Composition of the Board**

The Board comprises of 6 (six) directors as on date, of which 4 (four) are Independent directors including one woman director. As per the provisions of the Companies Act, 2013, the Company has appointed a Manager who is not a part of the Board of Directors.

'Independent Director' in relation to a company shall mean a director other than a managing director or a Whole-time director or a nominee director of the company who:

- a) in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c) had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives —
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
    - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent or more of the total voting power of the company; or
  - (iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
- f) Possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

Following are the Independent Directors of the Company as on date:

1. Mr. Darius J Kakalia
2. Mr. Jitender Balakrishnan
3. Mr. Ashwani Puri
4. Ms. Alka Bharucha

## **B. Details of Directorships/Committee memberships**

The composition of our Board, their Directorships/Committee memberships\* and Chairmanships as on date is given in the table below:



## **D. Board Meetings**

### **i) Agenda and Minutes**

The Company Secretary receives details on the matters which require the approval of the Board/ Board Committees, from various departments of the Company well in advance, so that they can be included in the Board/ Board Committee agenda. All material information is incorporated, in detail, in the agenda papers for facilitating meaningful and focused discussions at the meetings.

In compliance of the statutory requirements, the following minimum information is supplied to the Board in the agenda of every quarterly Board Meeting:

- Minutes of meetings of previous Board and Committee meetings
- Noting of Circular resolution(s)
- Financial results of the Company
- Compliance certificate by Functional Heads
- Status of Action on items of the previous Board meeting
- Business requirements
- Outstanding borrowings and investments

The minutes of the proceedings of previous Board meeting is circulated along with the agenda. The Board also takes note of minutes of all Committee meetings at every Board meeting. The Company is in compliance with the provisions of the notified Secretarial Standards on the subject.

### **ii) Attendance of directors**

As a good practice the Company ensures optimum presence of the Directors at each meeting.

During the FY 2015-16, five Board meetings were held on April 22, 2015, April 30, 2015, July 30, 2015, October 30, 2015 and February 3, 2016

The attendance of the Directors at the above Board meetings and at the last Annual General Meeting is given in the table below:

<b>Name of Directors</b>	<b>No. of Board meetings during FY 2015-16</b>		<b>Attendance in the last AGM dated August 28, 2015</b>
	<b>Held</b>	<b>Attended</b>	
Mr. Ajay Srinivasan	5	5	No
Mr. B N Puranmalka	5	5	No
Mr. D J Kakalia	5	3	No
Mr. Jitender Balakrishnan	5	4	No
Mr. Ashwani Puri	5	5	No
Ms. Alka Bharucha	5	2	No

## **E. Code of Conduct**

The Company has designed and implemented a Code of Conduct for all the employees of the Company. The senior management of the Company is governed by this Code of Conduct. The salient features of the said Code of Conduct policy is as under:

- Maintain highest degree of Corporate Governance practices
- confidentiality of information
- Act in good faith and exercise due care, diligence and integrity
- Ensure compliance with laws
- Minimum standards of conduct
- Fairness in workplace
- Avoiding conflict of interest
- Dealing with other people & organisations
- Dealing with Customers
- Responsibilities
- Adherence & enforcement mechanism
- Commitment

## II) **Audit Committee**

The provisions of Section 177 of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force), prescribes that every public company having paid-up capital of not less than Rupees Ten Crore shall constitute a committee of the Board known as "Audit Committee".

The primary functions which the Committee looks into are:

- overseeing company's financial reporting process and the disclosure of its financial information
- Review of Annual Financial Statements
- Management discussion and analysis of financial condition and results of operations
- Related party transactions
- Management letter/ letters of internal control weakness if any issued by Statutory Auditors
- Recommend appointment of Auditors and their remuneration
- Review of Internal Audit reports
- Review performance of Internal Auditors
- Evaluation of internal financial controls and the risk management systems

### A. **Composition of Audit Committee**

Our Audit Committee comprises of 3 (three) members viz. Mr. Ajay Srinivasan, Mr. Ashwani Puri and Mr. D J Kakalia. Out of the above, two members viz. Mr. Ashwani Puri and Mr. D J Kakalia are Independent Directors. Mr. Ashwani Puri is the Chairman of the Audit Committee.

All members of the Audit Committee are financially literate and have the necessary accounting and related financial management expertise.

The Chief Executive Officer, the Chief Financial Officer, Chief Risk Officer, the Compliance Officer/ Company Secretary, the Internal Auditors and the Statutory Auditors of the Company are invited for each of the Audit Committee meeting of the Company.

The Company Secretary acts as the Secretary to the Committee.

## **B. Meetings of Audit Committee and attendance of Audit Committee members**

During the FY 2015-16, the Audit Committee met five times on April 22, 2015, April 30, 2015, July 30, 2015, October 30, 2015 and February 3, 2016.

The attendance of the Audit Committee members at the Audit Committee meetings during the FY 2015-16 is given in the table below:

Name of the Committee member	No. of Audit Committee meetings	
	Held	Attended
Mr. Ajay Srinivasan	5	5
Mr. Ashwani Puri	5	5
Mr. D J Kakalia	5	3

## **III) Other Committees of the Company**

For ensuring smooth business activities, the Company has constituted certain Board Committees with well-defined charters for each one of them. The prominent Board Committees, other than the Audit Committee, are as under:

### **A) Risk Committee**

In view of the growing scale of operations undertaken by the Company and as required by RBI norms, the Board had constituted the Risk Committee as its sub-committee, to oversee the risk management and compliance activities of the Company.

As per the documented charter duly approved by the Board of Directors, the primary function of the Risk Committee covers the following:

- Implementation of various directions issued by Board
- Review of Loan Portfolios
- Monitoring various risks affecting the Company
- Guiding the business to ensure effective risk management.
- Generally oversee the risk management function and perform such other related functions as the Board of the Company may entrust to it.

#### **a) Composition of Risk Committee**

The Risk Committee comprises of following members as on date viz.:

- Mr. Jitender Balakrishnan
- Mr. B N Puranmalka
- Mr. Rakesh Singh
- Mr. Sekhar Mosur
- Mr. Ajay Srinivasan
- Mr. A Dhananjaya
- Mr. Tushar Shah
- Mr. Ajay Singh

Mr. Jitender Balakrishnan is the Chairman of this Committee. The Company Secretary acts as the Secretary to the Committee.

#### **b) Meetings of Risk Committee and attendance of Risk Committee members**

The attendance of the Risk Committee members at the Risk Committee meetings during the FY 2015-16 is given in the table below:

Name of the Committee member	No. of Risk Committee meetings	
	Held	Attended
Mr. Jitender Balakrishnan	3	3
Mr. Ajay Srinivasan	3	3
Mr. B N Puranmalka	3	3
Mr. A Dhananjaya	3	3
Mr. Rakesh Singh	3	3
Mr. Tushar Shah	3	-
Mr. Sekhar Mosur	3	3
Mr. Ajay Singh	3	2

## **B) Asset Liability Management Committee**

The Board had constituted the Asset Liability Management Committee as its sub-committee to:

Monitor the external environment and initiate appropriate action after evaluation of the following factors:

- Interest rate trends
- Market liquidity
- Monetary and fiscal policies
- Competitor actions
- Review balance sheet growth, mismatches and forecasts.
- Arrive at desirable maturity profiles for assets and liabilities based on anticipated funding needs, loan demands and liquidity position.
- Fine-tune product pricing.
- Ensure adequacy of capital and seek efficiency in its use in the context of a clearly charted growth strategy.
- Ensure compliance with interest rate and liquidity risk related regulatory requirements.

### **a) Composition of Asset Liability Management Committee**

The Asset Liability Management Committee comprises of the following members as on date viz.:

- |                                   |                                 |
|-----------------------------------|---------------------------------|
| • Mr. A Dhananjaya*               | • Mr. Rakesh Singh              |
| • Mr. Tushar Shah                 | • Mr. Sekhar Mosur              |
| • Mr. Sanjay Miranka              | • Mr. Maneesh Yadav             |
| • Mr. Prosenjit Aich*             | • Mr. Arnab Basu*               |
| • Mr. Sachinn Joshi^              | • Mr. Chandramohan Amritkar     |
| • Mr. Vitthal Naik                | • Mr. Ajay Singh <sup>§</sup>   |
| • Mr. Hitesh Eidnani <sup>§</sup> | • Mr. Devang Rawal <sup>§</sup> |
| • Mr. Rajeev Sharma <sup>#</sup>  |                                 |

\* Member upto February 3, 2016

<sup>§</sup> Appointed with effect from July 30, 2015

<sup>^</sup> Member upto September 14, 2015

<sup>#</sup> Appointed with effect from February 3, 2016

The Company Secretary acts as the Secretary to the Committee.

**b) Meetings of Asset Liability Management Committee and attendance of Asset Liability Management Committee members**

The attendance of the Asset Liability Management Committee members at the Asset Liability Management Committee meetings during the FY 2015-16 is given in the table below:

Name of the Committee member	No. of Asset Liability Management Committee meetings	
	Held	Attended
Mr. A Dhananjaya	10	4
Mr. Rakesh Singh	12	10
Mr. Tushar Shah	12	8
Mr. Sanjay Miranka	12	12
Mr. Sekhar Mosur	12	8
Mr. Maneesh Yadav	12	6
Mr. Prosenjit Aich	10	6
Mr. Arnab Basu	10	4
Mr. Sachinn Joshi	6	3
Mr. Chandramohan Amritkar	12	12
Mr. Vitthal Naik	12	11
Mr. Ajay Singh	8	4
Mr. Hitesh Eidnani	8	7
Mr. Devang Rawal	8	3
Mr. Rajeev Sharma	2	2

**C) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee was formed to recommend to the Board the appointment and remuneration payable to Directors, Manager and Key Managerial Personnel. The Committee also ensures fit and proper status of existing / proposed directors. The Committee is formed as per the provisions of the Companies Act, 2013 and the RBI Regulations.

**a) Composition of Nomination and Remuneration Committee**

The Nomination and Remuneration Committee comprises of the following Members:

- Mr. Ajay Srinivasan
- Mr. B N Puranmalka
- Mr. D J Kakalia
- Mr. Jitender Balakrishnan

**b) Meetings of Nomination and Remuneration Committee (NRC) and attendance of NRC members**

The attendance of the Nomination and Remuneration Committee members at the NRC meetings during the FY 2015-16 is given in the table below:

Name of the Committee member	No. of Nomination and Remuneration Committee meetings during the FY 2015-16	
	Held	Attended
Mr. Ajay Srinivasan	2	2
Mr. B N Puranmalka	2	2
Mr. D J Kakalia	2	-
Mr. Jitender Balakrishnan	2	2

#### **D) Corporate Social Responsibility (CSR) Committee**

The CSR Committee had been constituted pursuant to the provisions of Section 135 of the Companies Act, 2013.

##### **a) Composition of CSR Committee**

The CSR Committee comprises of the following Members:

- Mr. Ajay Srinivasan
- Mr. B N Puranmalka
- Mr. Ashwani Puri

In addition to the above Board members, Mrs. Rajashree Birla, Dr. (Mrs.) Pragnya Ram and Mr. Rakesh Singh are permanent invitees at the Committee.

##### **b) Meetings of CSR Committee and attendance of CSR Committee members**

The attendance of the CSR Committee members at the CSR Committee meetings during the FY 2015-16 is given in the table below:

Name of the Committee member	No. of CSR Committee meetings during the FY 2015-16	
	Held	Attended
Mr. Ajay Srinivasan	2	2
Mr. B N Puranmalka	2	2
Mr. Ashwani Puri	2	2

#### **IV) Disclosures**

##### **A) Related Party Transactions**

The related party transactions of the Company are periodically placed and reviewed by the Audit Committee of the Company which in turn briefs the Board at the Board meetings. The details have also been provided for in the Directors report.

##### **B) Performance Evaluation of Board**

A formal evaluation mechanism has been adopted for evaluating the performance of the Board, Committees thereof, individual directors and the Chairman of the Board. The evaluation is based on criteria which includes, among others, providing strategic perspective, chairmanship of Board and Committees, attendance and preparedness for the meetings, contribution at meetings, effective decision making ability, role of the Committees. The Independent Directors at their meeting held on March 30, 2016, had completed the performance evaluation exercise.

The output of performance evaluation:

- a) Board fully agreed and rated 100% on its functioning, skill sets and working atmosphere.
- b) Independent Directors scored well on expressing their views and in understanding the Company and its requirements
- c) Non-Executive Directors scored well in understanding the Company and its requirements and keep themselves current on the areas to be discussed
- d) Board is completely satisfied with the functioning of various Committees
- e) Board has full faith in the Chairman in leading the Board effectively and ensuring contribution from all its members

**C) Remuneration of Directors**

Based on the recommendation of the Nomination & Remuneration Committee, all decisions relating to remuneration of Directors are taken by the Board of your Company in accordance with the shareholder's approval, wherever necessary. Apart from sitting fees, travelling, lodging and other incidental expenses with respect to attending Meetings of Board/ Committees payable to the Independent Directors, no other remuneration is being paid to any of the Directors.

**D) Shareholders & General information**

**a) Brief profile of Directors to be re-appointed in the 25th Annual General Meeting of the Company:**

Mr. B N Puranmalka is retiring by rotation and approval is being sought for his re-appointment. Mr. Puranmalka is a fellow member of the Institute of Chartered Accountants of India and of the Institute of Company Secretaries of India and a Law graduate. He has many years of experience in implementation and running of Viscose Staple Fibre plant at Nagda (M.P.), Fertiliser (Urea) in U.P., Copper Smelter in Gujarat and Export Division of Grasim in Delhi. He looked after the development of Captive Power Plants and has been a Director of the Financial Services companies for many years.

**b) General Body Meetings**

The particulars of the last three Annual General Meetings (AGMs) of the Company are provided in the below Table:

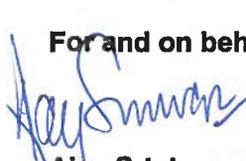
<b>AGM</b>	<b>Year</b>	<b>Date of the AGM</b>	<b>Time</b>	<b>Venue</b>
24 <sup>th</sup>	2015	28/08/2015	10:30 a.m.	Registered Office
23 <sup>rd</sup>	2014	15/09/2014	11.00 a.m.	Registered Office
22 <sup>nd</sup>	2013	30/08/2013	11.00 a.m.	Registered Office

3) General Shareholder Information

Date, Time and Venue of the 25th Annual General Meeting	August 26, 2016, 10.30 a.m., Indian Rayon Compound, Veraval, Gujarat – 362 266
Year	2016
Registration no. of the Company as per Companies Act with the Registrar of Companies. Corporate Identification Number (CIN)	U65990GJ1991PLC064603
Permanent Account Number (PAN)	AABCB5769M
Address for correspondence	One Indiabulls Centre, Tower 1, 18th Floor, Jupiter Mill Compound, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013

Place: Mumbai  
Date: May 3, 2016

For and on behalf of the Board



Ajay Srinivasan  
Director  
DIN – 00121181



B N Puranmalka  
Director  
DIN - 00007432

**REPORT ON CSR ACTIVITIES/ INITIATIVES**  
**[Pursuant to Section 135 of the Act & Rules made thereunder]**

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

For us in the Aditya Birla Group, reaching out to underserved communities is part of our DNA. We believe in the trusteeship concept. This entails transcending business interests and grappling with the "quality of life" challenges that underserved communities face, and working towards making a meaningful difference to them.

Our vision is - "to actively contribute to the social and economic development of the communities in which we operate. In so doing build a better, sustainable way of life for the weaker and marginalized sections of society and raise the country's human development index"

Mrs. Rajashree Birla, Chairperson, Aditya Birla Centre for Community Initiatives and Rural Development.

**Implementation process:**

Identification of projects - All projects are identified in consultation with the community in a participatory manner, literally sitting with them and gauging their basic needs. We recourse to the participatory rural appraisal mapping process. Subsequently, based on a consensus and in discussion with the village panchayats, and other stakeholders, projects are prioritized.

Arising from this, our focus areas that have emerged are Education, Health care, Sustainable livelihood, Infrastructure development, and espousing social causes. All of our community projects/ programmes are carried out under the aegis of The Aditya Birla Centre for Community Initiatives and Rural Development. Our activities are in line with Schedule VII of the Companies Act, 2013.

Your Company has framed a CSR Policy in compliance with the provisions of the Companies Act, 2013 which is accessible from our Company's website. ([www.adityabirlafinance.com](http://www.adityabirlafinance.com))

**2. The Composition of CSR Committee is provided below:**

- a) Mr. Ashwani Puri
- b) Mr. Ajay Srinivasan
- c) Mr. B N Puranmalka

**Permanent Invitees:**

- d) Mrs. Rajashree Birla, Chairperson – Aditya Birla Centre for Community Initiatives and Rural Development
- e) Dr. Pragnya Ram - Group Executive President, Corporate Communications and CSR
- f) Mr. Rakesh Singh - Chief Executive Officer

**3. Average Net Profit of the Company for last 3 financial years : Rs. 269.75 crore**

4. Prescribed CSR expenditure (2% of amount as in item no. 3 above): Rs.5.40 crore

5. Details of CSR activities/projects undertaken during the year:

- a) total amount to be spent for the financial year - Rs. 5.40 crore
- b) amount un-spent, if any – Rs. 2.25 crore
- c) manner in which the amount spent during financial year is detailed below:

Sr. No	CSR project/ activity identified	Sector in which the Project is covered	Projects/Programmes 1.Local area/others- 2.specify the state /district (Name of the District/s, State/s where project/programme was undertaken	Amount outlay (budget) project/ programme wise	Amount spent on the project/ programs <u>Sub-heads:</u> 1.Direct expenditure on project or programs 2.Overheads#:	Cumulative expenditure up to the reporting period	Amount spent: Direct/ through implementing agency*
1	Myrada	Women Empowerment and sustainable livelihood	Others; Karnataka Dist. Chitradurga, Holalkere taluka	79,00,000	10,04,450	-	All expenses are incurred directly by the Company
2	Sakhi Samudaya Kosh	Financial Literacy	Local area; Solapur Dist.	70,35,000	12,35,955	-	
3	Maneri Madhyamik Vidyalaya	Education	Local area; Sindhudurg Dist.	26,42,000	17,73,672	-	
4	Asmitha	Vocational Training	Local area; Mumbai	15,75,000	7,00,980	-	

5	Narasingh Swain Memorial Trust	Healthcare	Local area; Hyderabad	10,00,000	10,00,000	-	All expenses are incurred directly by the Company
6	Shrimad Rajchandra Education Trust	Education	Others; Karanjveri Village, Valsad, Gujarat	25,00,000	25,00,000	-	
7	DHAN foundation	Women Empowerment and sustainable livelihood	Others; Tamil Nadu	2,00,00,000	40,00,000	-	
8	Lend-A-Hand India	Vocational Training	Local area; Pune, Maharashtra	1,07,00,000	32,00,000	-	
9	Mobile van for cancer detection	Healthcare	Local area; Maharashtra	1,65,00,000	1,60,00,000	-	

\*Give details of implementing Agency.

# There are no overheads claimed by the Company.

**6. In case the company has failed to spend the 2% of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report**

During the financial year 2015-16, key projects were identified as part of the Company's CSR initiatives. The budgeted expenditure for Company's CSR projects such as Narasingh Swain Memorial Trust and Shrimad Rajchandra Education Trust have been spent fully in the financial year 2015-16. The other identified CSR activities are in the project mode. Their implementation ranges up to 3 years. The release of payment to these projects, linked with specific milestones, are made in tranches after evaluating the progress made in line with the mutually agreed schedule. This results in effective monitoring of the progress of the projects and ensuring long term sustainability and larger impact.

Work on these projects is ongoing and would be completed in the coming financial years in accordance with the set timelines and milestones. To that extent, there has been a variance in the amount spent against the budget earmarked for the Company's CSR projects/activities.

7. **A responsibility statement by the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

The implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

**For and on behalf of the Board**

**Place: Mumbai  
Date: May 3, 2015**



**Rakesh Singh  
CEO**



**Ashwani Puri  
Chairman – CSR  
Committee**

## Annexure 4

## Related Party Transactions

Form AOC -2

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 arms length transactions under third proviso thereto

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

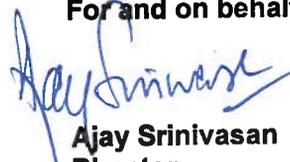
Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any: (Rupees, in lakh)	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:	Date on which the special resolution was passed in general meeting as required under first proviso to section 188
NIL							

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

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements / transactions	Duration of the contracts /arrangement s/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
NIL					

For and on behalf of the Board

Place: Mumbai  
Date: May 3, 2016

  
Ajay Srinivasan  
Director  
DIN - 00121181

  
B N Purnamalka  
Director  
DIN - 00007432

## Annexure 5

### Aditya Birla Finance Limited

Details to be included in the Board report as per Section 197(12) & Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for Financial Year 2015-16

- 1 Ratio of remuneration of each Director to median remuneration of the employees of the company for the financial year;

*Not Applicable as all the Directors of the Company are non-executive*

- 2 Percentage increase in remuneration of each Director, CFO, CEO, CS or Manager in the FY 2015-16

Mr. Rakesh Singh, CEO	Mr. Sekhar Mosur, Manager	Mr. Sachinn Joshi, CFO#	Mr. Sanjay Miranka, CFO^	Mr. Ankur Shah, CS*
15.00%	10.40%	NA	8.50%	NA

- 3 Percentage increase in median remuneration of employees in the FY 10.60%

- 4 No. of permanent employees on rolls of the Company 472

- 5 Explanation on the relationship between average increase in remuneration and company performance

Company has done very well with profit growth of 52% against last year and the percentage increase in median remuneration of 10.60% seems fair

- 6 Comparison of each remuneration of the Key Managerial Personnel against the performance of the company

CEO	Manager	CFO	CS*
15.00% increase against increase of Profit before Tax by 52%	10.40% increase against increase of Profit before Tax by 52%	8.50% increase against increase of Profit before Tax by 52%	NA

- 7 Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year

The Networth of the Company as at March 31, 2016 was Rs. 3,696 Crore as against Rs. 2,585 Crore in the previous year. The shares of the Company are not listed on any stock exchange.

- 8 Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration<sup>§</sup>  
*Average percentile increase in the salaries of employees other than the managerial personnel in the last financial year - 10.41%*  
*Average percentile increase in the salaries of the managerial personnel in the last financial year - 12.70%*
- 9 The key parameters for any variable component of remuneration availed by the directors  
Not Applicable
- 10 The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year  
Not Applicable
- 11 It is hereby affirmed that the remuneration paid is as per the remuneration policy of the Company

<sup>^</sup> Mr. Sanjay Miranka was appointed as CFO w.e.f. October 30, 2015

<sup>#</sup> Mr. Sachinn Joshi resigned as CFO w.e.f. September 14, 2015

<sup>\*</sup> Mr. Ankur Shah was appointed as CS w.e.f. April 22, 2015

<sup>§</sup> For the purpose of calculating managerial remuneration, only CEO and Manager are considered.

**Annexure 6**

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
as on the financial year ended on March 31, 2016  
of  
Aditya Birla Finance Limited

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	CIN	:	U65990GJ1991PLC064603
2.	Registration Date	:	August 28, 1991
3.	Name of the Company	:	Aditya Birla Finance Limited
4.	Category / Sub- Category of the Company	:	Public Limited – Limited by shares and company having share capital
5.	Address of the Registered Office	:	Indian Rayon Compound, Veraval, Gujarat – 362 266
	Contact details	:	Tel. No. - 022 43567000
6.	Whether listed company	:	Yes (only Debentures are listed on National Stock Exchange of India Limited)
7.	Name, Address of Registrar & Transfer Agents (RTA), if any	:	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound LBS Marg Bhandup (W), Mumbai 400 708
	Contact details of RTA	:	Tel. No. +91 22 2596 3838; Fax no: +91 22 2594 6969; Email : isrl@intimespectrum.com

**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:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Non-Banking finance Company engaged in lending and allied activities	65923	100%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –**

Sl. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Aditya Birla Financial Services Limited, Indian Rayon Compound, Veraval, Gujarat 362266	U67120GJ2007 PTC058890	Holding Company	90.45%	2(46)
2.	Aditya Birla Nuvo Limited Indian Rayon Compound, Veraval, Gujarat 362266	L17199GJ1956 PLC001107	Ultimate Holding Company	9.30%	2(46)







Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year %				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(B)=(B)(1)+(B)(2)									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	105964781	344394917	450359698	100.00	105964781	453600800	559565581	100.00	24.25%

\* 60 shares are held by individuals as nominees of ABFSL.

**(ii) Shareholding of Promoters**

Sl. No.	Shareholder's name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change 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.	Aditya Birla Financial Services Limited	450359697	100.00	-	506109697	90.45	-	12.38 (due to rights issue subscription)
2.	Aditya Birla Nuvo Ltd.	-	-	-	52063146	9.30	-	100
3.	ABNL Investment Ltd.	1	-	-	1392738	0.25	-	0.31
	Total	450359698	100.00	-	559565581	100.00	-	24.25

(ii) **Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Aditya Birla Financial Services Limited</b>				
	At the beginning of the year	450359697	100.00	450359697	100.00
	Increase / (Decrease) in Promoters Share holding during the Year specifying the reasons for increase / decrease – <b>subscription to Rights issue</b>	10000000	2.22	460359697	100.00
		4000000	0.89	464359697	100.00
		8000000	1.78	472359697	89.83
		7000000	1.55	479359697	89.97
		8000000	1.78	487359697	90.12
		18750000	4.16	506109697	90.45
	At the end of the year			506109697	90.45
2	<b>Aditya Birla Nuvo Ltd. (ABNL)</b>				
	At the beginning of the year	-	-	-	-
	Increase in Promoters Share holding during the Year – <b>issued on merger of MGLRCL</b>	27798440	6.17	27798440	4.97
	Issued on merger of ABNL IT and ITES Ltd. with ABNL	24264706	5.39	52063146	9.30
	At the end of the year			52063146	9.30
3	<b>ABNL Investment Ltd.</b>				
	At the beginning of the year	1	-	1	-
	Increase in Promoters Share holding during the Year – <b>issued on merger of MGLRCL</b>	1392737	0.31	1392738	0.27
	At the end of the year			1392738	0.27

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

Sl. No.	Shareholder's name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	<b>For Each of the Top 10 Shareholders</b>				
	At the beginning of the year	Not Applicable			
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease				
	At the End of the year (or on the date of separation, if separated during the year)	Not Applicable			

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

Sl. No.	Shareholder's name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	<b>For Each of the Directors and KMP</b>				
	At the beginning of the year	Nil			
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease				
	At the End of the year	Nil			

## V. INDEBTEDNESS

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

(Rs. in Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	11,37,102.65	3,24,088.93	-	14,62,102.65
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	28,698.41	1,802.28	-	30,518.69
<b>Total (i+ii+iii)</b>	<b>11,65,801.07</b>	<b>3,26,820.28</b>	<b>-</b>	<b>14,92,621.35</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	6,87,627.59	23,25,313.59	-	28,30,230.97
Reduction	1,90,505.32	21,29,500.59	-	23,25,119.67
<b>Net Change</b>	<b>4,97,122.27</b>	<b>1,95,813.59</b>	<b>-</b>	<b>5,05,111.30</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	16,38,472.61	5,07,150.00	-	21,45,622.61
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	24,450.72	15,483.87	-	39,934.59
<b>Total (i+ii+iii)</b>	<b>16,62,923.33</b>	<b>5,22,633.87</b>	<b>-</b>	<b>21,85,557.20</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(in Rs. unless stated otherwise)

Particulars of Remuneration	Name of MD/WTD/ Manager – Mr. Sekhar Mosur			Total Amount
	Manager	MD	WTD	
(in Rs. unless stated otherwise)				
Gross salary	76,50,765	N.A.	N.A.	76,50,765
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL			NIL
(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL			NIL
Stock Option	NIL			NIL
Sweat Equity	NIL			NIL
Commission - as % of profit - others, specify...	NIL			NIL
Others, please specify - <b>Variable pay</b>	35,57,506			35,57,506
<b>Reimbursements</b>	292,578			292,578
Total (A)	1,15,00,849			1,15,00,849
<b>Ceiling as per the Act (5%)</b>	<b>Rs. in Lakh</b>			31,31.78

B. Remuneration to other directors:

(in Rs. unless stated otherwise)

Sl. No	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. D J Kakalia	Mr. Jitender Balakrishnan	Mr. Ashwani Puri	Ms. Alka Bharucha	
	1. Independent Directors					
	• Fee for attending board / committee meetings	2,45,000	3,20,000	4,15,000	1,00,000	10,80,000
	• Commission	-	-	-	-	-
	• Others, please specify	-	-	-	-	-
	Total (1)	2,45,000	3,20,000	4,15,000	1,00,000	10,80,000
	2. Other Non-Executive Directors	-	-	-	-	-
	• Fee for attending board / committee meetings					
	• Commission					
	• Others, please specify					
	Total (2)	-	-	-	-	-
	Total (B)=(1+2)	2,45,000	3,20,000	4,15,000	1,00,000	10,80,000
	Total Managerial Remuneration				(A + B)	1,25,80,849
	Overall Ceiling as per the Act (11%)				<b>Rs. in Lakh</b>	68,89.91

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/ MANAGER/ WTD

(in Rs.)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel					Total
		Mr. Rakesh Singh, CEO	Mr. Sanjay Miranka, CFO	Mr. Sachinn Joshi, CFO#	Mr. Ankur Shah, CS	Mr. Sarvottam Agarwal, CS	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,86,44,834	81,66,735	22,71,565	30,70,994	80,231	2,98,82,563
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL	NIL	NIL	NIL
5	Others, please specify	1,73,17,080	41,50,241	29,45,513	NA	NIL	2,14,67,321
	Total	3,59,61,914	1,23,16,976	52,17,078	30,70,994	80,231	5,66,47,193
	Ceiling as per the Act	NOT APPLICABLE					

# Mr. Sachinn Joshi resigned as CFO w.e.f. September 14, 2015

\* Mr. Sarvottam Agarwal ceased to be CS w.e.f. April 21, 2015

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties / punishment / compounding of offences for year ended 31st March, 2016.

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**

For the financial year ended 31<sup>st</sup> March, 2016

[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  
**ADITYA BIRLA FINANCE LIMITED**  
Indian Rayon Compound,  
Veraval – 362266  
Gujarat

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to corporate practices by **ADITYA BIRLA FINANCE LIMITED** (hereinafter called 'the Company') for the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 ('the audit period'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, and subject to our separate letter attached as Annexure I; We hereby report that in our opinion, the Company has, during the audit period generally 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 the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
  - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;



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- (b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (v) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015, Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 and Non-Banking Financial Companies Acceptance of Public Deposit (Reserve Bank) Directions, 1998 and other relevant guidelines and circulars issued by the Reserve Bank of India from time to time and mainly covering the aspects of Capital adequacy norms and periodic reporting's done by the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India related to meetings and minutes.
- (ii) Debt Listing Agreements entered with National Stock Exchange of India Limited.

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

During the period under review, provisions of the following Act / Regulations were not applicable to the Company:

- (i) 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;
- (ii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - e. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
  - f. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

**We further report that -**

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.



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

Decisions at the meetings of the Board of Directors of the Company were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

**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, the Company has:**

1. Issued and allotted 29,830 Secured Redeemable Non-Convertible Debentures (SRNCDs) at a face value of Rs.10,00,000/- each for cash at par on Private Placement basis.
2. Issued and allotted 1,465 Unsecured Redeemable Non-Convertible Subordinate Debentures (URNCDs) at a face value of Rs.10,00,000/- each for cash at par on Private Placement basis.
3. Issued and allotted 5,57,50,000 Equity Shares at an issue price of Rs.126/- per share on Rights basis.
4. Madura Garments Lifestyle Retail Company Limited amalgamated with the Company vide High Court of Gujarat order dated 21<sup>st</sup> December, 2015.

Place: Mumbai  
Date: May 3, 2016

For BNP & Associates  
Company Secretaries  
[Firm Regn. No. P2014MH037400]



*B. Narasimhan*  
B. Narasimhan  
Partner  
FCS 1303 / CP No.10440

**Annexure I to the Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2016**

To,  
The Members,  
**ADITYA BIRLA FINANCE LIMITED**

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

1. Maintenance of Secretarial records and compliance of the provisions of corporate and other applicable laws, rules, regulations, standards are the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records and compliance based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on the test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.

For BNP & Associates  
Company Secretaries  
[Firm Regn. No. P2014MH037400]



*B. Narasimhan*  
Partner

FCS 1303 / CP No.10440

Place: Mumbai  
Date: May 3, 2016

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Aditya Birla Finance Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of Aditya Birla Finance Limited ("the Company"), which comprises the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit, and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid 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, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 23.2 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses and;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP  
Chartered Accountants

ICAI Firm registration number: 301003E/E300005



per Shrawan Jalan  
Partner  
Membership No.: 102102



Place: Mumbai  
Date: May 3, 2016

KE

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date

Re: Aditya Birla Finance Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the title deeds of immovable properties are held in the name of the company.
- (ii) The Company does not hold any securities in physical form. The securities held as stock in trade are verified with the confirmation statement received by the management from the custodian at regular intervals during the year and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the Director is interested to which provisions of section 185 of the Companies Act 2013 apply and hence not commented upon and the provisions of section 186 of the Companies Act 2013 are not applicable to the Company.
- (v) The Company does not accept any deposit from public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth-tax, service tax, value added tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed, provisions of sales tax, custom duty and excise duty are currently not applicable to the Company.
- (c) According to the records of the Company, the dues outstanding of income-tax, value added tax and service tax dues disputed by the Company, are as follows:



Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date

Re: Aditya Birla Finance Limited ("the Company")

Name of the statute	Nature of dues	Amount (Rs. In lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	55.33	A.Y. 2007-08	Income Tax Appellate Tribunal (ITAT) has restored back the matter to the file of AO.
Income Tax Act, 1961	Income Tax	64.81	A.Y. 2008-09	Income Tax Appellate Tribunal (ITAT)
Income Tax Act, 1961	Income Tax	50.41	A.Y. 2012-13	CIT (Appeals)
Income Tax Act, 1961	Income Tax	47.05	A.Y 2013-14	CIT (Appeals)
Finance Act, 1994 (Service tax)	Service tax demand	120.44	F.Y 2008-09 to F.Y 2010 - 11	Commissioner, Service Tax, Audit III.

(viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government.

(ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer (including debt instrument), hence not commented upon.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date

Re: Aditya Birla Finance Limited ("the Company")

- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration number: 301003E/E300005



per Shrawan Jalan  
Partner

Membership No.: 102102



Place: Mumbai

Date: May 03, 2016

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF ADITYA BIRLA FINANCE LIMITED**

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

To the Members of Aditya Birla Finance Limited

We have audited the internal financial controls over financial reporting of Aditya Birla Finance Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

**Meaning of Internal Financial Controls Over Financial Reporting**

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



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

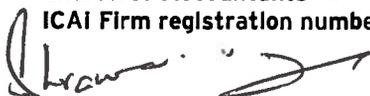
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal 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, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For S.R. Batliboi & Co. LLP**  
**Chartered Accountants**

ICAI Firm registration number: 301003E/E300005



per Shrawan Jalan  
Partner  
Membership No.: 102102



Place: Mumbai  
Date: May 03, 2016

# Aditya Birla Finance Limited

## Balance Sheet as at 31st March 2016

(Currency: Rupees in Lakhs)

	Notes	As at 31 March 2016	As at 31 March 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) SHAREHOLDERS' FUNDS</b>			
(a) Share Capital			
(i) Equity	1	55,956.56	45,035.97
(ii) Preference	1	18,500.00	60,000.00
(b) Reserves and Surplus	2	<u>295,123.83</u>	<u>153,447.48</u>
		<b>369,580.39</b>	<b>258,483.45</b>
<b>(2) NON-CURRENT LIABILITIES</b>			
(a) Long-term borrowings	3a	1,310,213.74	878,628.12
(b) Other Long-term liabilities	5a	15,483.87	1,820.28
(c) Long-term provisions	6a	<u>16,527.43</u>	<u>13,661.11</u>
		<b>1,342,225.04</b>	<b>894,109.51</b>
<b>(3) CURRENT LIABILITIES</b>			
(a) Short-term borrowings	3b	681,832.52	394,485.56
(b) Trade payables (Refer Note 23(3))	4		
- Micro and small enterprises		-	-
- Other than micro and small enterprises		4,990.61	4,191.55
(c) Other current liabilities	5b	215,316.51	240,341.92
(d) Short-term provisions	6b	<u>8,309.68</u>	<u>4,073.90</u>
		<b>910,449.32</b>	<b>643,092.93</b>
<b>Total</b>		<b><u>2,622,254.75</u></b>	<b><u>1,795,685.89</u></b>
<b>II. ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
(a) Fixed assets			
(i) Tangible assets	7	955.02	788.53
(ii) Intangible assets	7	396.30	494.61
(iii) Intangible assets under development		711.99	526.72
(b) Non current investments	8a	2,619.91	1,564.36
(c) Deferred tax assets (Net)	9	7,475.06	5,740.07
(d) Long-term loans and advances	10a	<u>1,661,107.11</u>	<u>944,579.47</u>
		<b>1,673,265.39</b>	<b>953,693.76</b>
<b>(2) CURRENT ASSETS</b>			
(a) Current investments	8b	46,500.00	2,431.06
(b) Stock of securities		33,020.01	46,756.69
(c) Trade receivables	11	583.69	34.27
(d) Cash and bank balances	12	112.46	15,891.96
(e) Short-term loans and advances	10b	835,162.60	765,304.48
(f) Other current assets	13	<u>33,610.60</u>	<u>11,573.67</u>
		<b>948,989.36</b>	<b>841,992.13</b>
<b>Total</b>		<b><u>2,622,254.75</u></b>	<b><u>1,795,685.89</u></b>

Summary of significant accounting policies 22

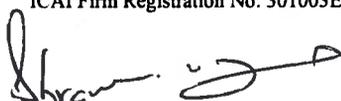
The accompanying notes are an integral part of the financial statements. 23

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No: 301003E/E300005



per Shrawan Jalan

Partner

Membership No: 102102



For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited

  
Ajay Srinivasan  
(Director)  
(DIN - 00121181)

  
B. N. Puranmalka  
(Director)  
(DIN - 00007432)

  
Rakesh Singh  
(Chief Executive  
Officer)

  
Sanjay Miranka  
(Chief Financial Officer)

  
Sekhar Mosur  
(Manager)

  
Ankur Shah  
(Company Secretary)

Place: Mumbai  
Date: 03 May 2016



Place: Mumbai  
Date: 03 May 2016

# Aditya Birla Finance Limited

## Statement of Profit and Loss for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

Particulars	Notes	For the year ended 31 March 2016	For the year ended 31 March 2015
I. Revenue from Operations	14	244,161.60	177,617.31
II. Other Income	15	4,498.83	427.68
III. Total Revenue		<u>248,660.43</u>	<u>178,044.99</u>
IV. Expenses :			
Finance costs	16	154,028.11	110,642.37
Employee benefit expenses	17	14,185.91	11,354.98
Other expenses	18	8,430.81	7,903.94
Depreciation and amortization expenses	7	760.11	670.93
Provisions and write - offs (Net)	19	8,619.88	6,388.21
V. Total Expenses		<u>186,024.82</u>	<u>136,960.43</u>
VI. PROFIT BEFORE TAX (III - V)		<u>62,635.61</u>	<u>41,084.56</u>
VII. Tax expenses :			
(a) Current Tax		23,437.00	15,510.00
(b) Deferred Tax Expenses / (Benefits) - (Net)		(1,734.99)	(1,500.26)
(c) Income tax relating to earlier years		73.49	7.19
VIII. PROFIT FOR THE YEAR (VI - VII)		<u>40,860.11</u>	<u>27,067.63</u>
IX. Basic and Diluted Earnings per share (Face value Rs. 10) (Previous year Face value Rs. 10)	20	<u>8.74</u> <u>8.74</u>	<u>7.95</u> <u>7.95</u>

Summary of significant accounting policies 22

The accompanying notes are an integral part of the financial statements. 23

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No: 301003E/E300005

*Shrawan*

per Shrawan Jalan  
Partner  
Membership No: 102102



For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited

*Ajay Srinivasan*  
Ajay Srinivasan  
(Director)  
(DIN - 00121181)

*B. N. Puranmalka*  
B. N. Puranmalka  
(Director)  
(DIN - 00007432)

*Rakesh Singh*  
Rakesh Singh  
(Chief Executive  
Officer)

*Sanjay Miranka*  
Sanjay Miranka  
(Chief Financial Officer)

*Sekhar Mosur*  
Sekhar Mosur  
(Manager)

*Ankur Shah*  
Ankur Shah  
(Company Secretary)

Place: Mumbai  
Date: 03 May 2016



Place: Mumbai  
Date: 03 May 2016

# Aditya Birla Finance Limited

## Cash flow statement for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>A. Cash Flow from operating activities</b>		
Profit before tax	62,635.61	41,084.56
<i>Adjustments for:</i>		
Depreciation / Amortisation	760.11	670.93
Provision for leave encashment	163.93	88.83
Provision for gratuity	108.43	52.89
Bad debts and Provision for Non-Performing Assets (Net)	5,205.31	1,582.81
Contingent provision on standard assets	3,272.43	1,420.64
General contingency provision	(1,980.93)	152.61
Provision for Premium on Investment	(336.87)	-
Provision for diminution in Investments (Net)	697.50	28.05
Provision for diminution on account of restructuring	(192.00)	-
Provision for employee benefits	1,564.99	973.60
Loss/(Gain) on sale of investments	(87.52)	(406.42)
Loss/(Gain) on sale of fixed assets	8.84	2.71
Dividend income	(8.41)	(6.53)
Interest income on investment	(2,068.11)	-
Sundry Balances written back	(130.86)	-
	<b>6,976.84</b>	<b>4,560.12</b>
Operating Profit before Working Capital changes	<b>69,612.45</b>	<b>45,644.68</b>
<i>Adjustments for:</i>		
(Increase)/decrease in Trade Receivables	(549.42)	(2.03)
(Increase)/decrease in Loans and Advances	(788,253.71)	(566,109.05)
(Increase)/decrease in Stock of Securities	13,736.68	(35,084.21)
(Increase)/decrease in Other Liabilities and Trade Payable	26,975.42	25,169.25
(Increase)/decrease in Other assets	(22,032.66)	(2,680.12)
	<b>(770,123.69)</b>	<b>(578,706.16)</b>
<b>Cash used in Operations</b>	<b>(700,511.24)</b>	<b>(533,061.48)</b>
Direct Taxes Paid	(22,310.13)	(15,807.25)
	<b>(22,310.13)</b>	<b>(15,807.25)</b>
<b>Net Cash used in Operating Activities (A)</b>	<b>(722,821.37)</b>	<b>(548,868.73)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of tangible assets	(553.89)	(694.45)
Purchase of intangible assets including assets under development	(480.79)	(458.87)
Purchase of investment	(48,488.26)	(2,364.75)
Sale of investment	2,701.30	19,100.48
Dividend received	8.41	6.53
Sale of tangible assets	23.93	8.89
Interest income on investment	2,068.11	-
	<b>(44,721.19)</b>	<b>15,597.83</b>
<b>Net Cash used in Investing Activities (B)</b>	<b>(44,721.19)</b>	<b>15,597.83</b>
<b>C. Cash flow from financing activities</b>		
Dividend on Preference Share and Corporate Dividend Tax	(7.20)	(7.02)
Proceeds from borrowings	22,740,171.95	9,394,607.04
Repayment of borrowings	(22,058,646.69)	(8,899,939.07)
Equity Share Capital	5,575.00	13,472.23
Share Premium	64,670.00	41,027.79
	<b>751,763.06</b>	<b>549,160.97</b>
<b>Net Cash from Financing Activities (C)</b>	<b>751,763.06</b>	<b>549,160.97</b>



# Aditya Birla Finance Limited

## Cash flow statement for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)	<u>(15,779.50)</u>	<u>15,890.07</u>
Cash and Cash Equivalents (Opening Balances)	<u>15,891.96</u>	<u>1.89</u>
Cash and Cash Equivalents (Closing Balances)	<u>112.46</u>	<u>15,891.96</u>
Net Increase/(decrease) in Cash and Cash Equivalents	<u>(15,779.50)</u>	<u>15,890.07</u>

### Note to Cash Flow Statement

Cash and Cash Equivalents include

Balances with Banks in Current Accounts

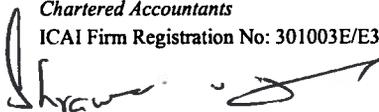
<u>112.46</u>	<u>15,891.96</u>
<u>112.46</u>	<u>15,891.96</u>

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No: 301003E/E300005



per Shrawan Jalan

Partner

Membership No: 102102



For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited

Ajay Srinivasan

(Director)

(DIN - 00121181)

Sanjay Miranka

(Chief Financial Officer)

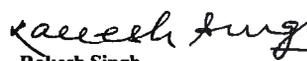
B. N. Puranmalka

(Director)

(DIN - 00007432)

Sekhar Mosur

(Manager)



Rakesh Singh

(Chief Executive Officer)

Ankur Shah

(Company Secretary)

Place: Mumbai

Date: 03 May 2016



Place: Mumbai

Date: 03 May 2016

# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016	As at 31 March 2015
<b>1. Share Capital</b>		
<b>Authorised Shares</b>		
1,270,000,000 (Previous year: 1,000,000,000) equity shares of Rs 10 each (Refer note 23(11))	127,000.00	100,000.00
1,010,000,000 (Previous year: 1,000,000,000) preference shares of Rs 10 each (Refer note 23(11))	101,000.00	100,000.00
	<u>228,000.00</u>	<u>200,000.00</u>
<b>Issued, Subscribed and Fully Paid up Shares</b>		
<b>Equity Share Capital</b>		
559,565,581 (Previous year: 450,359,698) equity shares of Rs 10 each, fully paid up (Refer note 23(11))	55,956.56	45,035.97
	<u>55,956.56</u>	<u>45,035.97</u>
<b>Preference Share Capital</b>		
75,000,000 (Previous year: 75,000,000) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs 10 each, fully paid up*	7,500.00	7,500.00
Nil (Previous year: 300,000,000) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs 10 each, fully paid up** (Refer note 23(11))	-	30,000.00
100,000,000 (Previous year: 225,000,000) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs 10 each, fully paid up*** (Refer note 23(11))	10,000.00	22,500.00
10,000,000 (Previous year: Nil) 8% Cumulative Redeemable Preference Shares of Rs 10 each, fully paid up**** (Refer note 23(11))	1,000.00	-
	<u>18,500.00</u>	<u>60,000.00</u>

None of the above preference shares have been converted into equity shares till March 31, 2016.

### A) Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

Description	31 March 2016		31 March 2015	
	Number	Rs in lakhs	Number	Rs in lakhs
<b>I) Equity Share</b>				
Number of Shares outstanding at the beginning of the year	450,359,698	45,035.97	315,637,442	31,563.74
Number of Shares issued during the year (Refer note 1)	109,205,883	10,920.59	134,722,256	13,472.23
Number of Shares outstanding at the end of the year	<u>559,565,581</u>	<u>55,956.56</u>	<u>450,359,698</u>	<u>45,035.97</u>
<b>II) 0.01% Compulsory Convertible Cumulative Preference Shares</b>				
Number of Shares outstanding at the beginning of the year	600,000,000	60,000.00	600,000,000	60,000.00
Number of Shares issued during the year	-	-	-	-
Number of Shares cancelled during the year on account of merger (Refer note 3)	(425,000,000)	(42,500.00)	-	-
Number of Shares outstanding at the end of the year	<u>175,000,000</u>	<u>17,500.00</u>	<u>600,000,000</u>	<u>60,000.00</u>
<b>III) 8% Cumulative Redeemable Preference Shares</b>				
Number of Shares outstanding at the beginning of the year	-	-	-	-
Number of Shares issued during the year on account of merger (Refer note 2)	10,000,000	1,000.00	-	-
Number of Shares outstanding at the end of the year	<u>10,000,000</u>	<u>1,000.00</u>	<u>-</u>	<u>-</u>

#### Notes:

- During the year ended March 31, 2016, the Company issued and allotted 53,455,883 Equity Shares of Rs 10 each without payment being received in cash as per the scheme entitlement ratio under the merger scheme (Refer note 23(11)).
- During the year ended March 31, 2016, the Company issued and allotted 10,000,000, Preference Shares of Rs 10 each without payment being received in cash as per the scheme entitlement ratio under the merger scheme (Refer note 23(11)).
- During the year ended March 31, 2016, the Company cancelled 425,000,000 Preference Shares of Rs 10 each (Refer note 23(11)).



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### B) Shares held by holding / ultimate holding company and / or their subsidiaries / associate

Name of Share Holder	31 March 2016		31 March 2015	
	Number	Rs in lakhs	Number	Rs in lakhs
<b>I) Equity Share</b>				
(i) Aditya Birla Financial Services Limited (Formerly known as Aditya Birla Financial Services Private Limited), holding company	506,109,697	50,610.97	450,359,697	45,035.97
(ii) ABNL Investment Limited, fellow subsidiary company	1,392,738	139.27	1	0.00
(iii) Aditya Birla Nuvo Limited, ultimate holding company	52,063,146	5,206.31	-	-
<b>II) Preference Share 0.01% Compulsory Convertible Cumulative Preference Shares of Rs.10 each, fully paid up</b>				
(i) Madura Garments Lifestyle Retail Company Limited, fellow subsidiary company	-	-	425,000,000	42,500.00
(ii) Aditya Birla Financial Services Limited (Formerly known as Aditya Birla Financial Services Private Limited), holding company	175,000,000	17,500.00	175,000,000	17,500.00
<b>III) Preference Share 8 % Cumulative Redeemable Preference Shares of Rs.10 each, fully paid up</b>				
(i) Aditya Birla Nuvo Limited, ultimate holding company	10,000,000	1,000.00	-	-

### C) Shares in the Company held by each shareholder holding more than 5 percent shares specifying the number of shares held.

Name of Share Holder	31 March 2016		31 March 2015	
	Number	% of total paid-up equity capital	Number	% of total paid-up equity capital
<b>I) Equity Share</b>				
(i) Aditya Birla Financial Services Limited (Formerly known as Aditya Birla Financial Services Private Limited), holding company	506,109,697	90.45%	450,359,697	100.00%
(ii) Aditya Birla Nuvo Limited, ultimate holding company	52,063,146	9.30%	-	-
<b>II) Preference Share 0.01% Compulsory Convertible Cumulative Preference Shares of Rs.10 each, fully paid up</b>				
(i) Madura Garments Lifestyle Retail Company Limited, fellow subsidiary company	-	-	425,000,000	70.83%
(ii) Aditya Birla Financial Services Limited (Formerly known as Aditya Birla Financial Services Private Limited), holding company	175,000,000	100.00%	175,000,000	29.17%
<b>III) Preference Share 8 % Cumulative Redeemable Preference Shares of Rs.10 each, fully paid up</b>				
(i) Aditya Birla Nuvo Limited, ultimate holding company	10,000,000	100.00%	-	-



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# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Notes:

#### 1 Term/right attached to equity shares:

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be receiving remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of the equity shares held by the shareholders.

#### 2 Term of conversion/redemption of Preference Shares

Preference shares carry cumulative dividend. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company before conversion/ redemption of Compulsory Convertible Cumulative Preference Shares (CCCPS)/ Cumulative Redeemable Preference Shares (CRPS) respectively, the holders of CCCPS/CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

\* a) Compulsory Convertible Cumulative Preference Shares (CCCPS) 50,000,000 0.01% of Rs. 10 each fully paid up (31st March, 2015: 50,000,000) allotted on 30th November, 2007 shall be compulsorily and automatically converted into fully paid up equity shares of the Company at any time after three months from the date of allotment at a price (including premium, if any) and time to be decided by the Board of Directors of the Company without any application or any further act on part of the Preference Shareholder. In the event these CCCPS are not converted into fully paid up equity shares prior to date of maturity (period not exceeding 10 years from the date of allotment), then these CCCPS shall be converted into appropriate numbers of fully paid up equity shares and at twice the fair value of equity shares as on the date of conversion, as per the terms of issue of CCCPS.

\* b) Compulsory Convertible Cumulative Preference Shares (CCCPS) 25,000,000 0.01% of Rs. 10 each fully paid up (31st March, 2015: 25,000,000) allotted on 31st December, 2007 shall be compulsorily converted into fully paid up equity shares of the Company at any time after three months from the date of allotment at a price (including premium, if any) and time to be decided by the Board of Directors of the Company without any application or any further act on part of the Preference Shareholder. In the event these CCCPS are not converted into fully paid up equity shares prior to date of maturity (period not exceeding 10 years from the date of allotment), then these CCCPS shall be converted into appropriate numbers of fully paid up equity shares and at twice the fair value of equity shares as on the date of conversion, as per the terms of issue of CCCPS.

\*\* Compulsory Convertible Cumulative Preference Shares (CCCPS) Nil (31st March, 2015 : 300,000,000), 0.01% of Rs. 10 each fully paid up are cancelled on account of merger with Madura Garments Lifestyle Retail Company Limited. (Refer note 23(11)).

\*\*\* a) Compulsory Convertible Cumulative Preference Shares (CCCPS) 100,000,000 @ 0.01% of Rs. 10 each fully paid up (31st March, 2015 : 200,000,000), allotted on 20th July, 2012 will be convertible into equity shares of the Company on or before 5 years from the date of allotment at the fair value on the date of conversion or such other ratio as may be mutually agreed. Out of 200,000,000 CCCPS of previous year, 100,000,000 CCCPS are cancelled on account of merger with Madura Garments Lifestyle Retail Company Limited. (Refer note 23(11)).

\*\*\* b) Compulsory Convertible Cumulative Preference Shares (CCCPS) Nil (31st March, 2015 : 25,000,000), 0.01% of Rs. 10 each fully paid up are cancelled on account of merger with Madura Garments Lifestyle Retail Company Limited. (Refer note 23(11)).

\*\*\*\* Cumulative Redeemable Preference Shares (CRPS) 10,000,000 @ 8.00% of Rs. 10 each fully paid up (31st March, 2015 - Nil) are redeemable at face value on or after March 25, 2019 but before March 25, 2029. (Refer note 23(11)).



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016	As at 31 March 2015
<b>2. Reserves and Surplus</b>		
<b>(I) Other Reserves</b>		
<b>Special Reserve *</b>		
Opening Balance	14,300.00	8,880.00
Addition: Amount transferred from surplus balance in the Statement of Profit and Loss	8,180.00	5,420.00
Closing Balance	22,480.00	14,300.00
<b>(II) Share Premium Account</b>		
Share Premium Account	85,059.04	44,031.25
Addition on account of shares issued during the year	64,670.00	41,027.79
Addition on account of merger (Refer note 23(11))	42,642.21	-
	192,371.25	85,059.04
<b>(III) General Reserve</b>		
General Reserve on account of merger (Refer note 23(11))	13,660.95	-
	13,660.95	-
<b>(IV) Surplus as per statement of Profit and Loss</b>		
Opening Balance	54,088.44	32,447.83
<u>Addition</u>		
Profit for the year	40,860.11	27,067.63
<u>Less: Appropriation</u>		
Transfer to Special Reserve	8,180.00	5,420.00
Dividend on Preference Shares	81.75	6.00
Tax on Dividend	16.82	1.02
Loss on account of merger (Refer note 23(11))	20,062.60	-
<u>Add: Appropriation</u>		
Dividend on Preference Shares on account of merger	4.25	-
Closing Balance	66,611.63	54,088.44
	295,123.83	153,447.48



\*Special Reserve represents the reserve created pursuant to the Reserve Bank of India Act, 1934 (the "RBI Act"). In terms of Section 45-IC of the RBI Act, a Non-banking Finance Company is required to transfer an amount not less than 20 per cent of its net profit to a Reserve Fund before declaring any dividend. Appropriation from this Reserve Fund is permitted only for the purposes specified by RBI.

# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016	As at 31 March 2015
<b>3a. Long-Term Borrowings</b>		
<b>Secured</b>		
Redeemable Non Convertible Debentures	513,100.00	300,320.00
Term Loan from Banks	727,463.74	523,308.12
	<u>1,240,563.74</u>	<u>823,628.12</u>
<b>Unsecured</b>		
Sub ordinate Debts - Debentures	69,650.00	55,000.00
	<u>69,650.00</u>	<u>55,000.00</u>
	<u>1,310,213.74</u>	<u>878,628.12</u>
<b>3b. Short-Term Borrowings</b>		
<b>Secured</b>		
Term Loan / Demand Loan from Banks	22,000.00	7,500.00
Loan repayable on demand from Banks (Cash Credit)	227,059.71	119,716.91
	<u>249,059.71</u>	<u>127,216.91</u>
<b>Unsecured</b>		
Term Loan / Demand Loan from Banks	20,000.00	30,000.00
Commercial Papers **	412,772.81	237,268.65
	<u>432,772.81</u>	<u>267,268.65</u>
	<u>681,832.52</u>	<u>394,485.56</u>

\*\* Commercial papers shown net of unamortised discounting charges Rs. 4,727.19 lakhs (31st March, 2015 Rs. 2,731.35 lakhs).



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	2016		2015	
	Current	Non Current	Current	Non Current
<b>I) Secured Long Term Borrowings</b>				
“The term loans from banks are secured by way of first pari passu charge on the receivables of the Company.” The repayment terms and rate of interest of term loans are as under-				
Repayment Terms : Maturing within 1 year, Rate of Interest 9.50 % to 9.75 % p.a.	63,330.31	-	133,997.63	-
Repayment Terms : Maturing between 1 year to 3 year, Rate of Interest 8.80 % to 9.75 % p.a.	-	493,814.54	-	523,308.12
Repayment Terms : Maturing after 3 year, Rate of Interest 9.35 % to 9.75 % p.a.	-	233,649.20	-	-
Debentures Secured by way of mortgage of the immovable property and first pari- passu charge on current assets of the Company:				
Repayment Terms : Maturing within 1 year, Rate of Interest 8.86 % to 10.20 % p.a.	85,520.00	-	52,260.00	-
Repayment Terms : Maturing between 1 year to 3 year, Rate of Interest 8.61 % to 10.15 % p.a.	-	324,050.00	-	300,320.00
Repayment Terms : Maturing after 3 year, Rate of Interest 8.55 % to 10.00 % p.a.	-	189,050.00	-	-
	<b>148,850.31</b>	<b>1,240,563.74</b>	<b>186,257.63</b>	<b>823,628.12</b>
<b>II) Unsecured Long term Borrowing</b>				
9.10 % to 10.60 % p.a. (Redeemable from May 2019 to March 2026)	-	69,650.00	-	55,000.00
	-	69,650.00	-	55,000.00
	<b>148,850.31</b>	<b>1,310,213.74</b>	<b>186,257.63</b>	<b>878,628.12</b>
<b>III) Secured Short Term Borrowings :</b>				
Cash Credit secured by way of first pari-passu charge on receivables of the Company	227,059.71	-	119,716.91	-
Working Capital Demand Loan secured by way of first pari-passu charge on receivables of the Company	22,000.00	-	7,500.00	-
<b>IV) Unsecured Short Term Borrowings :</b>				
Rate of Interest 9.70 % to 9.90 % p.a.	20,000.00	-	30,000.00	-
	<b>269,059.71</b>	-	<b>157,216.91</b>	-



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016	As at 31 March 2015
<b>4. Trade Payables</b>		
<b>Other than micro and small enterprises</b>		
Trade payables	2,450.73	2,124.95
Trade payables for salaries, bonus and other employee benefits	2,539.88	2,066.60
	<u>4,990.61</u>	<u>4,191.55</u>
<b>5a. Other Long Term Liabilities</b>		
Interest accrued and Interest accrued but not due on Loans	15,483.87	1,820.28
	<u>15,483.87</u>	<u>1,820.28</u>
<b>5b. Other Current Liabilities</b>		
Current maturities of Term Loan	63,330.31	133,997.63
Current maturities of Redeemable Non Convertible Debentures	85,520.00	52,260.00
Interest accrued and Interest accrued but not due on Loans	24,486.55	28,698.41
Book Overdraft	39,480.02	22,599.33
Income received in advance	730.80	449.81
Statutory Dues	327.73	181.28
Margin Money from Customers	190.57	195.88
Other Payable - Deposits	708.03	583.15
Other Payable - Miscellaneous	542.50	1,376.43
	<u>215,316.51</u>	<u>240,341.92</u>
<b>6a. Long Term Provisions</b>		
Provision for Employee benefits	1,449.49	2,369.44
Provision for diminution on account of restructuring	-	192.00
Contingent Provision against Standard Assets	4,934.39	2,322.15
Provision for Doubtful Debts and Advances	10,143.55	7,514.69
General Contingency Provision (Refer note 22(3))	-	1,262.83
	<u>16,527.43</u>	<u>13,661.11</u>
<b>6b. Short Term Provisions</b>		
Proposed Dividend on Preference Shares	81.75	6.00
Provision for Corporate Dividend Tax	16.64	1.02
Provision for Income Tax (Net of advance tax Rs. 21,068.52 lakhs 31 March, 2015 Rs. 14,923.40 lakhs)	2,368.48	586.60
Provision for Employee benefits	2,484.95	-
Contingent Provision against Standard Assets	2,600.11	1,939.92
General Contingency Provision (Refer note 22(3))	-	1,054.97
Provision for Leave Encashment	555.67	391.74
Provision for Gratuity	202.08	93.65
	<u>8,309.68</u>	<u>4,073.90</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Note 7

#### Tangible Assets

Gross Block	Building		Plant & Equipments		Furniture & Fixtures		Vehicles		Office Equipments		Leasehold Improvements		Total
	As at 1 April 2014	Additions	As at 1 April 2014	Additions	As at 1 April 2014	Additions	As at 1 April 2014	Additions	As at 1 April 2014	Additions	As at 1 April 2014	Additions	
As at 1 April 2014	26.27	467.89	74.45	112.49	110.77	276.81	1,068.68						
Additions	-	229.73	31.85	114.86	57.46	260.57	694.47						
Deletions/Adjustment	-	0.50	0.11	16.26	0.06	0.45	17.38						
As at 31 March 2015	26.27	697.12	106.19	211.09	168.17	536.93	1,745.77						
Additions	-	259.96	16.26	166.76	58.55	64.04	565.57						
Deletions/Adjustment	-	0.50	-	57.37	0.10	0.10	58.07						
As at 31 March 2016	26.27	956.58	122.45	320.48	226.62	600.87	2,253.27						
<b>Accumulated Depreciation</b>													
As at 1 April 2014	4.04	291.63	47.93	36.85	79.10	236.78	696.33						
For the year	0.39	105.05	14.61	35.43	21.63	89.58	266.69						
Deletions/Adjustment	-	0.08	0.11	5.10	0.06	0.43	5.78						
As at 31 March 2015	4.43	396.60	62.43	67.18	100.67	325.93	957.24						
For the year	0.46	137.45	26.49	46.93	39.11	115.86	366.30						
Deletions/Adjustment	-	0.25	-	24.86	0.08	0.10	25.29						
As at 31 March 2016	4.89	533.80	88.92	89.25	139.70	441.69	1,298.25						
Net block as at 31 March 2016	21.38	422.78	33.53	231.23	86.92	159.18	955.02						
Net block as at 31 March 2015	21.84	300.52	43.76	143.91	67.50	211.00	788.53						

#### Notes :

- 1) Redeemable Non Convertible Debentures are secured by charge on immovable property of the Company .
- 2) Office Equipment includes Gross Assets amounting to Rs 2.19 lakhs (Previous Year : Rs 2.19 lakhs) held jointly with Birla Sun Life Insurance Company Limited.

#### Intangible Assets

Gross Block	Software		Total
	As at 1 April 2014	Additions	
As at 1 April 2014	1,237.34	1,237.34	1,237.34
Additions	211.78	211.78	211.78
Deletions/Adjustment	-	-	-
As at 31 March 2015	1,449.12	1,449.12	1,449.12
Additions	295.50	295.50	295.50
Deletions/Adjustment	-	-	-
As at 31 March 2016	1,744.62	1,744.62	1,744.62
<b>Accumulated Depreciation</b>			
As at 1 April 2014	550.27	550.27	550.27
For the year	404.24	404.24	404.24
Deletions/Adjustment	-	-	-
As at 31 March 2015	954.51	954.51	954.51
For the year	393.81	393.81	393.81
Deletions/Adjustment	-	-	-
As at 31 March 2016	1,348.32	1,348.32	1,348.32
Net block as at 31 March 2016	396.30	396.30	396.30
Net block as at 31 March 2015	494.61	494.61	494.61



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016			As at 31 March 2015	
Long Term, Fully Paid up	Face value (Rs)	Numbers	Rs in lakhs	Numbers	Rs in lakhs
<b>(A) Equity Shares</b>					
<b>Trade Investment</b>					
<b>Quoted</b>					
HDFC Bank Limited	2	1,300	0.04	1,300	0.04
MOIL Limited	10	12,245	45.92	12,245	45.92
<b>Unquoted</b>					
<b>Others</b>					
Birla Management Centre Services Limited	10	2,000	0.20	2,000	0.20
SWAWS Credit Corporation Private Limited (Refer note 23 (13))	10	-	-	393,748	39.37
<b>(B) Preference Shares</b>					
<b>Non Trade Investment</b>					
<b>Unquoted</b>					
Share Microfin Limited 0.001 % Optionally Convertible Cumulative Redeemable Preference Shares	10	9,854,834	985.48	11,682,000	1,168.20
<b>(C) Debentures</b>					
<b>Non Trade Investment</b>					
<b>Unquoted</b>					
SWAWS Credit Corporation Private Limited Optionally Convertible Debentures carrying fixed coupon rate of 12 % p.a. (Refer note 23 (13))	100	-	-	13,125	13.13
<b>(D) Others</b>					
<b>Non Trade Investment</b>					
<b>Unquoted</b>					
PMS Investment			359.74		371.47
Investment in Alternate Fund			2,000.00		-
<b>Total (A+B+C+D)</b>			<b>3,391.38</b>		<b>1,638.33</b>
Less: Provision for diminution on investments			(771.47)		(73.97)
			<b>2,619.91</b>		<b>1,564.36</b>
i) Aggregate amount of Quoted Investments.			45.96		45.96
ii) Aggregate amount of Unquoted Investments.			2,573.95		1,518.40
iii) Aggregate market value of Quoted Investments.			40.55		47.12
iv) Aggregate market value of PMS Investments.			974.63		1,009.66
v) Aggregate amount of diminution in value of investments Rs. 771.47 lakhs (31st March, 2015 Rs.73.97 lakhs).					
vi) Non Current Investment valued at cost unless stated otherwise.					



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

		As at 31 March 2016		As at 31 March 2015	
	Face value (Rs)	Numbers	Rs in lakhs	Numbers	Rs in lakhs
<b>8b. Current Investments</b>					
<b>Non Convertible Debentures (NCD) / Commercial Papers (CP)</b>					
<b>Unquoted</b>					
Mahindra Worldcity Jaipur Limited (NCD)	1,000,000	1,650	16,500.00	-	-
AU Financiers (India) Limited (NCD)	1,000,000	1,000	10,000.00	-	-
Dalmia Cement Bharat Limited (NCD)	1,000,000	1,000	10,000.00	-	-
KKR Financial Services Private Limited (NCD)	10,000,000	50	5,000.00	-	-
Indiabulls Housing Finance Company Limited (NCD)	1,000,000	500	5,000.00	-	-
Karvy Financial Services Private Limited (CP)	500,000	-	-	500	2,431.06
			<b>46,500.00</b>		<b>2,431.06</b>
i) Aggregate amount of Unquoted Investments.			<b>46,500.00</b>		<b>2,431.06</b>
ii) Aggregate amount of Quoted Investments.			-		-
iii) Aggregate market value of Quoted Investments.			-		-
iv) Aggregate amount of diminution in value of investments Rs. Nil (31st March, 2015 Rs. Nil).			-		-
v) Current Investments are stated at lower of cost and market/fair values.					



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016	As at 31 March 2015
<b>9. Deferred Tax Assets (Net)</b>		
<b>Deferred Tax Assets at the year end comprise timing differences on account of:</b>		
Depreciation	22.64	(21.97)
Provision for Doubtful Debts	3,510.48	2,554.24
Contingent Provisions against Standard Assets	2,607.54	1,448.68
General Contingency Provision (Refer note 22(3))	-	787.82
Provision Others	1,334.40	971.30
	<u>7,475.06</u>	<u>5,740.07</u>
<b>10a. Long-Term Loans and Advances</b>		
<b>a. Secured</b> (Considered good unless otherwise stated)		
(i) Loans	<u>1,509,326.02</u>	<u>871,903.62</u>
	1,509,326.02	871,903.62
<b>b. Unsecured</b> (Considered good unless otherwise stated)		
(i) Loans	135,682.42	56,955.84
(ii) Other Advances		
- Security Deposit	347.68	375.80
- Prepaid Expenses	17.32	16.40
- Capital Advances	16.36	28.04
	<u>136,063.78</u>	<u>57,376.08</u>
<b>c. Doubtful*</b>		
(i) Loans	<u>15,717.31</u>	<u>15,299.77</u>
	15,717.31	15,299.77
	<u>1,661,107.11</u>	<u>944,579.47</u>
* Represents non-performing assets classified as sub-standard and doubtful in accordance with norms for classification of assets as per RBI Prudential norms for Non-Banking Finance Companies.		
<b>10b. Short-Term Loans and Advances</b>		
<b>a. Secured</b> (Considered good unless otherwise stated)		
(i) Loans	<u>560,354.47</u>	<u>539,377.43</u>
	560,354.47	539,377.43
<b>b. Unsecured</b> (Considered good unless otherwise stated)		
(i) Loans	272,742.80	224,999.89
(ii) Other Advances		
- Loans and Advance to Related Parties	28.33	53.66
- Security Deposit	290.01	18.54
- Prepaid Expenses	372.15	179.28
- Service Tax Receivable	12.75	63.79
- Advance Payment of Taxes (Net of provision for taxation Rs. 26,520.00 lakhs 31 March, 2015 Rs 16,780.00 lakhs)	1,042.03	374.35
- Others Advances	320.06	237.54
	<u>274,808.13</u>	<u>225,927.05</u>
	<u>835,162.60</u>	<u>765,304.48</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	As at 31 March 2016	As at 31 March 2015
<b>11. Trade Receivable</b> (Considered good unless otherwise stated)		
Other Debts	583.69	34.27
	<u>583.69</u>	<u>34.27</u>
<b>12. Cash and Bank Balances</b>		
Cash and Cash Equivalent		
Balances with Banks in Current Accounts	112.46	15,891.96
	<u>112.46</u>	<u>15,891.96</u>
<b>13. Other Current Assets</b>		
Other receivables	35.21	29.48
Interest Accrued but not due/Interest Receivable	33,575.39	11,544.19
	<u>33,610.60</u>	<u>11,573.67</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	Year ended 31 March 2016	Year ended 31 March 2015
<b>14. Revenue From Operations</b>		
<b><u>Interest</u></b>		
<b>Capital Market Activity</b>		
Interest on Loan against Securities	40,940.23	40,856.66
Interest on Loan against IPO Funding	569.17	404.91
	<u>41,509.40</u>	<u>41,261.57</u>
<b>Corporate Finance</b>		
Interest on Bills Discounting/Purchased/Invoice Discounting Charges	16,509.59	14,088.59
	<u>16,509.59</u>	<u>14,088.59</u>
<b>Term Loan/Project Finance/Mortgage Finance/Others</b>		
Interest on Term Loans	40,449.27	21,004.25
Interest on Project Finance	57,674.72	37,413.39
Interest on Mortgage Finance	68,179.64	49,841.12
Interest on Personal Loans / Other Unsecured Loans	76.46	33.45
Interest on Rural Finance Loans	3.05	103.06
	<u>166,383.14</u>	<u>108,395.27</u>
<b>Inter Corporate Deposits</b>		
Interest on Inter Corporate Deposits	4,690.87	2,711.13
	<u>4,690.87</u>	<u>2,711.13</u>
<b>Others</b>		
Discount Charges on Commercial Paper	77.53	389.09
	<u>77.53</u>	<u>389.09</u>
	<u>229,170.53</u>	<u>166,845.65</u>
<b>Other Financial Services</b>		
<b>Treasury Operations</b>		
Securities Trading Income	4,599.99	3,962.68
	<u>4,599.99</u>	<u>3,962.68</u>
<b>Syndication and Other Fee Income</b>		
Corporate Finance	3,451.46	1,083.66
Capital Market	898.86	405.25
Project Finance	2,777.36	2,428.64
Treasury	157.56	114.45
Mortgage Finance	3,105.84	2,776.98
	<u>10,391.08</u>	<u>6,808.98</u>
	<u>14,991.07</u>	<u>10,771.66</u>
	<u>244,161.60</u>	<u>177,617.31</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	Year ended 31 March 2016	Year ended 31 March 2015
<b>15. Other Income</b>		
Other Interest	4.06	2.25
Provision for diminution on account of restructuring written back	192.00	-
Interest income on Investment	2,068.11	-
General Contingency Provision written back (Refer note 22(3))	1,980.93	-
Miscellaneous Income (includes excess provision and sundry balances written back (Net))	155.42	12.48
Dividend from Long Term Investment	8.41	4.84
Dividend from Short Term Investment	-	1.69
Gain on sale of Investments (Net)	87.52	406.42
Interest income on Investment in Mutual Fund	2.38	-
	<u>4,498.83</u>	<u>427.68</u>
<b>16. Finance Costs</b>		
Interest Expenses	124,411.84	80,226.72
Discounting charges on Commercial Paper	29,439.06	30,129.29
Other Borrowing Costs	177.21	286.36
	<u>154,028.11</u>	<u>110,642.37</u>
<b>17. Employee Benefit Expenses</b>		
Salaries, Bonus and Allowances	12,925.50	10,549.00
Contribution to Provident and Other Funds	580.92	374.02
Staff Welfare Expenses	679.50	431.96
	<u>14,185.91</u>	<u>11,354.98</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	Year ended 31 March 2016	Year ended 31 March 2015
<b>18. Other Expenses</b>		
Rent	1,028.97	899.29
Travelling and Conveyance	916.93	804.16
Water and Electricity	109.67	87.99
Repairs and Maintenance:		
Plant and Machinery	2.00	1.89
Others	367.32	440.91
Insurance	189.01	107.78
Communication Expenses	162.34	117.47
Legal and Professional Charges (Refer note 23 (6))	1,430.27	1,399.04
Loss on Sale of Fixed Assets (Net)	8.84	2.71
Rates and Taxes	497.53	450.08
Printing and Stationery	108.62	108.56
Contract Service Charges	140.28	92.04
Information Technology Expenses	250.87	233.48
Business / Sales Promotion Expenses	329.92	271.44
Advertisement Expenses	380.85	636.91
Postage Expenses	44.67	31.74
Bank Charges	144.75	63.96
Brokerage and Commission	1,746.66	1,808.29
CSR Expenses (Refer note 23 (10))	314.15	-
Miscellaneous Expenses	257.16	346.20
	<u>8,430.81</u>	<u>7,903.94</u>

## 19. Provisions and Write - offs (Net)

Investments Written off	52.50	-
Bad debts/Advances Written off	2,523.95	3,017.05
Provision for Doubtful Debts and Advances	5,074.50	4,601.34
Provision for Doubtful Debts written back	(2,445.64)	(3,018.53)
Provision for diminution in Current Investment (written back)	(222.20)	(35.15)
Provision for Diminution in value of Long Term Investment	750.00	28.05
Change in Carrying Value of Current Investment	3.71	222.20
Provision for diminution on Long Term Investment (written back)	(52.50)	-
Provision for Premium on Investment (written back)	(336.87)	-
Contingent Provisions against Standard Assets	3,272.43	1,420.64
General Contingency Provision	-	152.61
	<u>8,619.88</u>	<u>6,388.21</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

	31 March 2016	31 March 2015
<b>20. Earnings per Share</b>		
Net Profit after Tax	40,860.11	27,067.63
Less: Dividend on Preference Shares (including Corporate Dividend Tax)	98.57	7.02
Net Profit after Tax available for equity shareholders	40,761.54	27,060.61
Weighted average number of equity shares outstanding (Numbers)	466,205,849	340,538,512
Basic and Diluted Earnings per share (Rs.)	<u>8.74</u>	<u>7.95</u>

**Note:** In absence of the rate at which, 0.01% Compulsory Convertible Cumulative Preference Shares of the Company shall be converted, its effect on diluted EPS has not been worked out.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

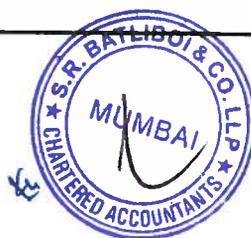
for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 21A. Disclosure in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

Sr No.	Particulars	Amount out-standing	Amount overdue
	<b>Liabilities side :</b>		
1)	<b>Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>		
	(a) Debentures : Secured (including interest accrued but not due of Rs.34,009.00 lakhs)	632,629.00	-
	: Unsecured (including interest accrued but not due of Rs.3,093.36 lakhs) (other than falling within the meaning of public deposits*)	72,743.36	-
	(b) Deferred Credits	-	-
	(c) Term Loans	832,794.05	-
	(d) Inter-corporate loans and borrowing (including interest accrued but not due of Rs. Nil )	-	-
	(e) Commercial Paper	412,772.81	-
	(f) Other Loans (Working Capital) & Others	227,059.71	-
		<b>2,177,998.93</b>	<b>-</b>
	* Please see Note 1 below		

Sr No.	Particulars	Amount out-standing
	<b>Assets side :</b>	
2)	<b>Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :</b>	
	(a) Secured :	2,069,680.50
	(b) Unsecured :	424,170.84
	(includes those in nature of loans and excludes Advances Recoverable in cash or kind or for value to be received, Advance Payment of Taxes and Other Deposits)	
3)	<b>Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities :</b>	
	(i) Lease assets including lease rentals under sundry debtors :	
	(a) Financial lease	-
	(b) Operating lease	-
	(ii) Stock on hire including hire charges under sundry debtors:	
	(a) Assets on hire	-
	(b) Repossessed Assets	-
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	-
	(b) Loans other than (a) above	-
		<b>2,493,851.34</b>





# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 21A. Continued

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):		
Please see note 3 below		
1) Related Parties**		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2) Other than related parties	49,840.85	49,119.92
	49,840.85	49,119.92
Note: Break up value derived from the latest available Balance Sheet of the Company.		
** As per Accounting Standard of ICAI (Please see Note 3)		
7) Other information :		
(i) Gross Non-Performing Assets :		
(a) Related parties		-
(b) Other than related parties		15,717.31
(ii) Net Non-Performing Assets :		
(a) Related parties		-
(b) Other than related parties		5,573.75
(iii) Assets acquired in satisfaction of debt :		
		-

#### Notes:

- 1 As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- 2 Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Non -Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.
- 3 All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

### 21B. Disclosure in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

#### a) CRAR

Sr. No.	Items	(Rs.in Crores)	
		Current Year	Previous Year
(i)	CRAR* (%)	16.15	16.94
(ii)	CRAR - Tier I capital (%)	13.64	13.98
(iii)	CRAR - Tier II Capital (%)	2.51	2.96
(iv)	Amount of subordinated debt raised as Tier-II capital	696.50	550.00
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

\* The management has reduced the tenor of the subdebt of Rs 300 Crores, hence for the purpose of computation of CRAR, the subdebt of Rs 300 crores have been taken at 60% value.

#### b) Unsecured Advances

Sr. No.	Particulars	(Rs.in Crores)	
		Current Year	Previous Year
(i)	Unsecured Advances (Inclusive of doubtful advances)	4,241.71	2,973.09

#### c) Exposures

##### c.i) Exposure to Real Estate Sector

Category	(Rs.in Crores)	
	Current Year	Previous Year
<b>Direct exposure</b>		
i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	312.67	54.10
ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (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 limits;	5,733.54	3,860.85
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures - a. Residential b. Commercial Real Estate	Nil -	Nil 114.57
<b>Total Exposure to Real Estate Sector</b>	<b>6,046.21</b>	<b>4,029.52</b>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

### 21B. Continued

#### c.ii) Exposure to Capital Market

		(Rs.in Crores)	
Particulars		Current Year	Previous Year
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	334.29	473.96
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	30.48	44.88
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	4,591.31	3,405.60
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	267.12	529.29
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	Bridge loans to companies against expected equity flows / issues;	-	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>		<b>5,223.20</b>	<b>4,453.73</b>

#### c.iii) Asset Liability Management

##### Maturity pattern of certain items of Assets and Liabilities

(Rs.in Crores)									
Particulars	upto 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-
Advances**	2,625.22	917.42	1,080.57	1,746.10	1,961.47	5,446.21	3,705.62	7,455.63	24,938.24
Investments	-	-	465.00	-	-	-	-	26.20	491.20
Borrowings*	870.61	3,631.06	149.25	280.75	3,374.99	8,178.67	3,855.64	1,068.00	21,408.97
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

\* Net of Unamortized Discounting charges on Commercial Paper amounting to Rs. 47.27 Crs.

\*\* a) Overdue Receivable on account of Corporate Finance Activities have been slotted in respective time bucket category as per instructions contained in Appendix 1 of Guidelines for Assets Liabilities Management (ALM) system in NBFC.

b) Advances includes Loan and Advances in the nature of Loans and excludes Advances Recoverable in cash or kind or for value to be received and Advance Payment of Taxes and Other Deposits.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (*Continued*)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Notes forming part of Accounts 22

#### Significant Accounting Policies

##### 1. Corporate information - Brief description about the Company

Aditya Birla Finance Limited ('ABFL' or 'the Company') was incorporated on 28 August, 1991 as a private limited company under the Companies Act, 1956. The Company was subsequently registered as a public limited company on 17 March, 1994.

The Company is registered with RBI as non-deposit taking NBFC with registration no. N-01.00500 and was certified as ISO 9001:2008 across all its core functional processes in March 2013 by British Standards Institution (BSI), a leading global independent business services organization.

The Principal shareholder of the Company is Aditya Birla Financial Services Limited (Formerly known as Aditya Birla Financial Services Private Limited) (90.45%), a company incorporated in India.

ABFL offers customised solutions in areas of Capital Market, Corporate Finance, Commercial Real Estate & Mortgages, Retail business & Personal loan and Infrastructure Project & Structured Finance.

##### 2. Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspects of the Accounting Standards (AS) notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and the guidelines issued by Reserve Bank of India (RBI) as applicable to Non Banking Finance Company (NBFC). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The Company has classified all its assets / liabilities into current / non-current portion based on the time frame of 12 months from the date of financial statements. Accordingly, assets/liabilities expected to be realised /settled within 12 months from the date of financial statements are classified as current and other assets/liabilities are classified as non current.

##### 3. Change in accounting policy

The management based on its judgement provides general contingency provision on standard assets in addition to regulatory provision, however the Company has discontinued this contingency provision in the current year, accordingly the Company has reversed General contingency provision of Rs 1,980.93 lakhs lying in the books of accounts as on March 31, 2015. Accordingly the Profit before tax is higher by Rs. 1,980.93 lakhs in the current year.

The Company has revised recognition norms of Non-Performing Assets (NPA) from six months to five months and increased provisions on standard assets from 0.25% to 0.30% pursuant to Reserve Bank of India (RBI) notification no. DNBR. 009/CGM (CDS) - 2015 dated March 27, 2015 which resulted in additional provision on loan portfolio of Rs. 1,255.75 lakhs in current year. Accordingly the Profit before tax is lower by Rs. 1,255.75 lakhs in the current year.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies (Continued)

#### 4. Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

#### 5. Tangible Fixed Assets

Fixed Assets are stated at cost, less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### Depreciation on Tangible Assets:

Depreciation on Tangible Fixed Assets is provided on Straight Line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following useful life to provide depreciation on its Fixed Assets :-

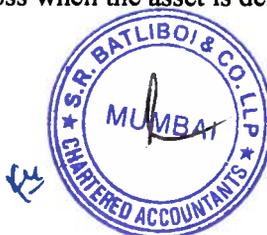
Asset	Useful Life as Prescribed by Schedule II of the Companies Act, 2013	Estimated Useful Life by Company
Building	60 Years	60 Years
Office Computers and Electronic Equipments (including Plant & Machinery)	3 Years	4 Years
Vehicles	8 Years	5 Years
Furniture, Fixtures and Other Office Equipments	10 Years	7 Years

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

Tangible Fixed Assets costing below Rs 5,000 is capitalized and 100% depreciation is charged in the year of acquisition.

Depreciation on assets acquired / sold during the year is recognised on a pro-rata basis to the Statement of Profit and Loss from/ till the date of acquisition or sale.

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



# Aditya Birla Finance Limited

## Notes to the Financial Statements (*Continued*)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies (*Continued*)

#### 6. Intangible Assets

Intangible Assets are stated at acquisition cost, net of accumulated amortization and impairment losses, if any. Intangible Assets are amortized on a straight line basis over their estimated useful lives as under :-

Amount of Depreciation on the Intangible Assets added/disposed off/discarded during the year is provided on pro-rata basis with reference to the month of addition/disposal/discarding.

Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, Intangible Assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated Intangible Assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is incurred.

Intangible Assets are amortized on a straight line basis over the estimated useful economic lives as under :-

Computer Software	3 years
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Intangible Assets are assessed for impairment whenever there is an indication that the Intangible Asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. Gains or losses arising from derecognition of an Intangible Asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

#### Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the company can demonstrate all the following :-

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during development.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (*Continued*)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies (*Continued*)

#### 7. Impairment of Tangible and Intangible Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### 8. Investments

Investments that are readily realisable 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.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.



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# Aditya Birla Finance Limited

## Notes to the Financial Statements (*Continued*)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies (*Continued*)

#### 9. Inventories

Stocks of securities are valued at lower of cost and net realizable value. Cost includes cost of purchase and other directly attributable cost towards purchase costs.

Net realizable value is the estimated fair value of securities as on the Balance Sheet date.

#### 10. Revenue Recognition

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

Interest income is recognised in the Statement of Profit and Loss on accrual basis, except in the case of non-performing assets.

Income recognised and remaining unrealised after instalments become overdue for five months or more in case of secured/unsecured loans are reversed and are accounted as income when these are actually realised.

Income on discounted instruments is recognised over the tenor of the instrument on a straight line basis.

Processing Fees and Syndication income is recognised on accrual basis.

Dividend income on investments is accounted for when the right to receive the payment is established by the reporting date.

Profit and Loss on sale of investment is computed based on weighted average cost.

#### 11. Taxation

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred Tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The un-recognised Deferred Tax assets are re-assessed by the Company at each balance sheet date and are recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies (Continued)

#### 11. Taxation (Continued)

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

#### 12. Retirement and Other Employee Benefits

##### i) Defined Contribution Plan

The Company makes defined contribution to Government managed Employee Provident Fund, Government managed Employee Pension Fund, Employee Deposit Linked Insurance, Employee State Insurance and Superannuation Schemes which are recognised in Statement of Profit and Loss on accrual basis.

##### (ii) Defined Benefit Plan

The Company's liabilities under Payment of Gratuity Act and long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gain and losses are recognised immediately in Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

The Company presents the entire leave as a current liability in the Balance Sheet, since it does not have any unconditional right to defer its settlement for twelve months after the reporting date.

In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Ultimate Holding Company. The interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit Method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Ultimate Holding Company is additionally provided for. Actuarial losses/ Gains are recognized in Statement of Profit and Loss in the year in which they arise.

##### (iii) Other Long Term Incentive Benefits

Other Long Term Incentive Benefits includes future encashment or availment, at the option of the employee subject to the rules framed by the Company which are expected to be availed or encashed beyond 12 months from the end of the year and long term incentive payable to employees on fulfilment of criteria prescribed by the Company.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies (Continued)

#### 13. Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset.

All other borrowing costs are expensed in the period they occur.

#### 14. Cash and Cash Equivalent

Cash and Cash Equivalents for the purpose of cash flow statement comprise Cash in Hand and Cash at Bank including Fixed Deposit with original maturity period of less than three months.

#### 15. Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

#### 16. Provision and Contingencies

Provisions are recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Non performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.

Provision on Standard Assets is made @ 0.30% as per the notification DNBR. 009/CGM (CDS) – 2015 dated March 27, 2015 issued by Reserve Bank of India.

Contingent Liabilities are possible but not probable obligations as on Balance Sheet date, based on the available evidence.

Provisions are determined based on best estimate required to settle the obligation at the Balance Sheet date. Contingent Liabilities are not provided for and disclosed by way of notes.



# Aditya Birla Finance Limited

## Notes to the Financial Statements *(Continued)*

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Significant Accounting Policies *(Continued)*

#### 17. Leases

Leases where significant portion of risk and reward of ownership are retained by the Lessor are classified as Operating Leases and lease rentals thereon are charged to Statement of Profit and Loss on straight line basis.

#### 18. Segment Reporting

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company.

The Company's operating business are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items include general corporate income and expense item which are not allocated to any business segment.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (*Continued*)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### Notes forming part of accounts 23

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 576.70 lakhs (31<sup>st</sup> March, 2015 Rs. 209.61 lakhs).
2. **Contingent Liabilities not provided for as on 31<sup>st</sup> March, 2016:-**
  - a. Disputed Income Tax Liability Rs. 217.60 lakhs (31<sup>st</sup> March, 2015 Rs. 170.55 lakhs).\*
  - b. Disputed Service tax Liability Rs. 120.44 lakhs (March 31, 2015 : Rs.Nil).
  - c. Claims against the Company not acknowledged as debts Rs.812.00 lakhs (31<sup>st</sup> March, 2015 Rs. 812.00 lakhs).\*\*
  - d. Corporate guarantees given by the Company on behalf of the clients Rs. 588.15 lakhs, (31<sup>st</sup> March 2015 Rs. 878.74 lakhs). Letter of comfort given by the Company on behalf of clients Rs. 24,472.00 lakhs, (31<sup>st</sup> March, 2015 Rs. 21,494.48 lakhs).
  - e. Liabilities for pro-rata refund on insurance claim to the Insurance Company arising as a result of any part of outstanding debt not recognized in the final judgement, is not ascertainable as the legal matter for recovery of such amounts is still under process.

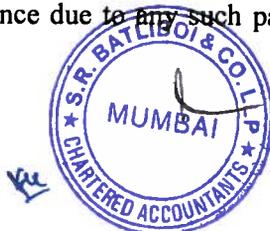
\* Disputed Income Tax liability includes Disallowance u/s 14A read with rule 8D for Financial Year 2007-08 Rs. 60.74 lakhs and for Financial Year 2006-07 Rs.10.84 lakhs. The matter is pending before Income tax Appellate Tribunal. It includes disallowance of Interest on Non-Performing Assets (NPA) for Financial Year 2011-12 Rs. 50.41 lakhs and for Financial Year 2012-13 Rs. 47.05 lakhs. The matter is pending before CIT(A). It also includes disallowance of leave encashment provision for Financial Year 2006-07 Rs. 44.49 lakhs. The matter is redirected to assessing officer by Income tax Appellate Tribunal.

The claims against the Company comprise of the following :-

\*\* Two of Company clients have filed the Claim Petition as per High Court Order dated 27.10.2009 for an amount of Rs. 512.00 lakhs along with damages with interest. The matter is pending before Arbitrator.

The Company had filed an appeal on 30.06.2011 before The Securities and Appellate Tribunal (SAT) against the communication of SEBI dated 28.03.2011 restraining certain entities to access the securities market and further prohibited them from buying, selling or dealing in securities in any manner. The appeal has been allowed by SAT in Company's favour. The Company has undertaken that in the event it is called upon by the Tribunal or Board to bring back money of Rs. 300 lakhs which Company have realized by the sale of shares, Company shall do so forthwith.

3. The Company is in the process of identifying the parties which are covered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). As of March 31, 2016 the Company is not aware of any party which gets covered under MSMED Act. The Company does not have any outstanding balance due to any such party as on 31 March, 2016 (31 March, 2015 Rs. Nil).



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 4. Related Party Disclosures

I) List of Related Parties as per AS -18 with whom transactions have taken place during the year.

(A) Where control exists:-

- Aditya Birla Financial Services Limited (ABFSL) (Formerly known as Aditya Birla Financial Services Private Limited) (Holding Company)
- Aditya Birla Nuvo Limited (Ultimate Holding Company)

(B) Subsidiaries / Fellow Subsidiaries :-

#### Fellow Subsidiaries

- Aditya Birla Customer Services Private Limited (ABCSPL)
- Aditya Birla Financial Shared Services Limited (ABFSSL)
- Aditya Birla Money Limited (ABML)
- Aditya Birla Insurance Brokers Limited (ABIBL)
- Aditya Birla Money Mart Limited (ABMML)
- Aditya Birla Money Insurance Advisory Services Limited (ABMIASL)
- ABNL Investment Limited (ABNLIL)
- Birla Sun Life Insurance Company Limited (BSLICL)
- Birla Sun Life Asset Management Company Limited (BSAMCL)
- Madura Garments Lifestyle Retail Company Limited (MGLRCL) (upto 30 June, 2015)
- Aditya Birla Housing Finance Limited (ABHFL)
- ABNL IT & ITES Limited (upto 30 September, 2015)

(C) Key management personnel

- Mr. Sekhar Mosur



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 4. Related Party Disclosures (Continued)

#### II) Transactions with Related parties

Particulars	Referred in (A) above	Referred in (B) above	Referred in (C) above	Total
Remuneration (Refer note (d))	- (-)	- (-)	115.01 (97.49)	115.01 (97.49)
Brokerage	- (-)	27.78 (13.58)	- (-)	27.78 (13.58)
Interest expenses	- (-)	315.25 (468.08)	- (-)	315.25 (468.08)
Rent expenses (Reimbursement of expenses)	66.15 (51.86)	367.82 (267.77)	- (-)	433.97 (319.63)
Legal and professional (Reimbursement of expenses)	137.54 (74.77)	45.61 (23.36)	- (-)	183.15 (98.13)
Employee cost (Reimbursement of expenses)	875.44 (769.37)	220.05 (184.22)	- (-)	1,095.49 (953.59)
Administrative Expenses (Reimbursement of expenses)	203.71 (123.63)	352.34 (100.03)	- (-)	556.05 (223.66)
Dividend	1.75 (1.75)	- (4.25)	- (-)	1.75 (6.00)
Trading securities sales income Transferred	- (-)	- (0.12)	- (-)	- (0.12)
Interest Income	- (-)	4.06 (1.47)	- (-)	4.06 (1.47)
Rent recovered (Expenses Recovered)	- (-)	48.43 (-)	- (-)	48.43 (-)
Employee cost recovered	1.21 (2.83)	- (58.38)	- (-)	1.21 (61.21)
Legal & Professional (Expenses Recovered)	- (-)	6.00 (0.60)	- (-)	6.00 (0.60)
Profit on sale of shares	- (0.03)	- (-)	- (-)	- (0.03)
Brokerage Income	- (-)	37.28 (-)	- (-)	37.28 (-)
Administrative income (Expenses Recovered)	- (19.15)	197.29 (16.53)	- (-)	197.29 (35.68)
Loan obtained	- (-)	- (5,009.00)	- (-)	- (5,009.00)
Loans repaid	- (-)	- (8,004.66)	- (-)	- (8,004.66)
Loans given	- (-)	8,360.00 (-)	- (-)	8,360.00 (-)



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 4. Related Party Disclosures (Continued)

Particulars	Referred in (A) above	Referred in (B) above	Referred in (C) above	Total
Loans received back	- (-)	8,360.00 (-)	- (-)	8,360.00 (-)
Equity share capital	8,354.84 (13,472.23)	2,565.74 (-)	- (-)	10,920.58 (13,472.23)
Equity share premium	64,670.00 (41,027.79)	- (-)	- (-)	64,670.00 (41,027.79)
Preference share capital	1,000.00 (-)	- (-)	- (-)	1,000.00 (-)
Redemption of Non Convertible Debentures (NCD)	- (-)	1,000.00 (-)	- (-)	1,000.00 (-)
Proceeds from Sale of shares	- (0.04)	- (-)	- (-)	- (0.04)
Sale of assets	- (3.91)	0.62 (57.08)	- (-)	0.62 (60.99)
Insurance Premium Paid	- (-)	43.68 (59.39)	- (-)	43.68 (59.39)
Preference Share Capital outstanding	18,500.00 (17,500.00)	- (42,500.00)	- (-)	18,500.00 (60,000.00)
Amount Payable	139.76 (87.65)	54.45 (70.43)	- (-)	194.21 (158.08)
Amount Receivable	- (-)	28.33 (53.65)	- (-)	28.33 (53.65)
NCD Payable	- (-)	2,500.00 (2,500.00)	- (-)	2,500.00 (2,500.00)
Current maturities of NCD Payable	- (-)	- (1,000.00)	- (-)	- (1,000.00)
Interest accrued on NCD	- (-)	192.34 (222.05)	- (-)	192.34 (222.05)
Security deposit receivable	- (-)	88.30 (88.30)	- (-)	88.30 (88.30)

### III) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year:

Particulars	31-Mar-16	31-Mar-15
<b>Brokerage</b>		
Aditya Birla Money Mart Limited	27.78	13.58
<b>Dividend expenses</b>		
Aditya Birla Financial Services Limited	1.75	1.75
Madura Garments Lifestyle Retail Company Limited	-	4.25
<b>Remuneration (Refer note (d))</b>		
Mr. Sekhar Mosur	115.01	97.49



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 4. Related Party Disclosures (Continued)

Particulars	31-Mar-16	31-Mar-15
<b>Administrative expenses</b>		
Aditya Birla Money Limited	63.10	3.34
Aditya Birla Insurance Brokers Limited	-	0.10
Aditya Birla Financial Services Limited	202.99	123.12
Aditya Birla Financial Shared Services Limited	213.25	81.33
Birla Sun Life Insurance Company Limited	0.11	11.45
Aditya Birla Nuvo Limited	0.72	0.51
Aditya Birla Housing Finance Limited	75.88	-
Birla Sun Life Asset Management Company Limited	-	3.81
<b>Interest expenses</b>		
Aditya Birla Insurance Brokers Limited	-	174.58
Birla Sun Life Insurance Company Limited	315.25	293.50
<b>Rent expenses</b>		
Aditya Birla Financial Services Limited	66.15	51.86
Aditya Birla Money Limited	2.70	2.55
Birla Sun Life Insurance Company Limited	231.58	193.97
Aditya Birla Money Mart Limited	20.46	19.64
Aditya Birla Financial Shared Services Limited	2.70	4.74
Aditya Birla Housing Finance Limited	110.38	46.87
<b>Legal and Professional expenses</b>		
Aditya Birla Financial Services Limited	137.54	74.77
Aditya Birla Financial Shared Services Limited	43.36	23.36
Aditya Birla Housing Finance Limited	2.25	-
<b>Employee cost</b>		
Aditya Birla Nuvo Limited	-	5.59
Aditya Birla Financial Services Limited	875.44	763.78
Birla Sun Life Insurance Company Limited	-	2.99
Aditya Birla Financial Shared Services Limited	193.51	141.90
Birla Sunlife Asset Management Company Limited	26.54	39.33
<b>Trading Securities Sales income transferred</b>		
Aditya Birla Housing Finance Limited	-	0.12



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 4. Related Party Disclosures (Continued)

Particulars	31-Mar-16	31-Mar-15
<b>Employee cost recovered</b>		
Aditya Birla Nuvo Limited	1.21	1.59
Aditya Birla Financial Services Limited	-	1.24
Birla Sun Life Insurance Company Limited	-	3.62
Aditya Birla Housing Finance Limited	-	54.76
<b>Legal and Professional expenses recovered</b>		
Aditya Birla Housing Finance Limited	6.00	-
Aditya Birla Financial Shared Services Limited	-	0.60
<b>Brokerage Income</b>		
Aditya Birla Money Limited	37.28	-
<b>Profit on sale of shares</b>		
Aditya Birla Financial Services Limited	-	0.03
<b>Rent recovered</b>		
Aditya Birla Housing Finance Limited	48.43	-
<b>Interest Income</b>		
Aditya Birla Housing Finance Limited	4.06	1.47
<b>Administrative Income</b>		
Aditya Birla Financial Services Limited	-	19.15
Aditya Birla Insurance Brokers Limited	3.11	1.67
Aditya Birla Housing Finance Limited	194.18	14.86
<b>Loan obtained (including ICBs)</b>		
Aditya Birla Insurance Brokers Limited	-	3,769.00
Aditya Birla Housing Finance Limited	-	1,240.00
<b>Loans repaid (including ICBs)</b>		
Aditya Birla Insurance Brokers Limited	-	6,764.66
Aditya Birla Housing Finance Limited	-	1,240.00
<b>Loan given</b>		
Aditya Birla Housing Finance Limited	8,360.00	-
<b>Loan received back</b>		
Aditya Birla Housing Finance Limited	8,360.00	-
<b>Redemption of NCD</b>		
Birla Sun Life Insurance Company Limited	1,000.00	-
<b>Issue of NCD</b>		
Birla Sun Life Insurance Company Limited	-	2,500.00
<b>Equity Share Capital</b>		
Aditya Birla Nuvo Limited	2,779.84	-
ABNL Investment Limited	139.27	-
ABNL IT & ITES Limited	2,426.47	-
Aditya Birla Financial Services Limited	5,575.00	13,472.73



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 4. Related Party Disclosures (Continued)

Particulars	31-Mar-16	31-Mar-15
<b>Share Premium</b>		
Aditya Birla Financial Services Limited	64,670.00	41,027.79
<b>Preference Share Capital</b>		
Aditya Birla Nuvo Limited	1,000.00	-
<b>Proceeds from Sale of Shares</b>		
Aditya Birla Financial Services Limited	-	0.04
<b>Sale of assets</b>		
Birla Sun Life Insurance Company Limited	0.62	-
Aditya Birla Nuvo Limited	-	3.91
Aditya Birla Financial Shared Services Limited	-	1.03
Aditya Birla Housing Finance Limited	-	56.05
<b>Insurance Premium Paid</b>		
Birla Sun Life Insurance Company Limited	43.68	59.39
<b>Payable</b>		
Aditya Birla Nuvo Limited	0.45	-
Aditya Birla Financial Services Limited	139.31	87.65
Aditya Birla Money Insurance Advisory Services Limited	0.77	0.77
Birla Sun Life Insurance Company Limited	25.43	24.27
Aditya Birla Money Mart Limited	11.42	13.86
Aditya Birla Financial Shared Services Limited	14.69	21.25
Birla Sun Life Assets Management Company Limited	-	6.27
Aditya Birla Money Limited	2.14	4.01
<b>Receivable</b>		
Aditya Birla Insurance Brokers Limited	-	1.61
Aditya Birla Housing Finance Limited	28.33	52.04
<b>Preference Share Capital Outstanding</b>		
Aditya Birla Nuvo Limited	1,000.00	-
Madura Garments Lifestyle Retail Company Limited	-	42,500.00
Aditya Birla Financial Services Limited	17,500.00	17,500.00
<b>Redeemable NCDS (Secured)</b>		
Birla Sun Life Insurance Company Limited	2,500.00	3,500.00
<b>Interest accrued on NCDs</b>		
Birla Sun Life Insurance Company Limited	192.34	222.05
<b>Security Deposit Receivable</b>		
Birla Sun Life Insurance Company Limited	88.30	88.30

#### Notes:-

- The related party relationships have been as identified by the management on the basis of the requirements of the Accounting Standard AS-18 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India and the same have been relied upon by the Auditors.
- The relationships as mentioned above except where control exists pertain to those related parties with whom transactions have taken place during the year.
- Figures in brackets represent corresponding amounts of previous year.
- Expenses towards bonus, gratuity and leave encashment provisions are determined actuarially on an overall Company basis at the end of each year and accordingly, have not been considered in the above information.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 5. Gratuity and Other Post Employment Benefits

The details of the Company's defined benefit plans for its employees are given below:

<b>Amount recognized in the Balance Sheet in respect of gratuity (funded by the Company)</b>		
	<b>As at 31 March, 2016</b>	<b>As at 31 March, 2015</b>
Present Value of Funded defined benefit obligation at the end of the year	613.57	426.54
Fair Value of Plan Assets	411.49	332.88
Net Liability/(Assets)	<b>202.08</b>	93.66
<b>Amount recognized in Salary, Wages and Employee Benefits in the Statement of Profit and Loss in respect of gratuity (funded by the Company):</b>		
Current Service Cost	121.56	88.91
Interest on Defined Benefit Obligation	43.44	33.91
Expected Return on Plan Assets	(29.99)	(23.27)
Net Actuarial (Gains) / Loss recognized during the year	67.07	(5.89)
<b>Net Gratuity Cost</b>	<b>202.08</b>	93.66
Actual Return on Plan assets	8.58	51.77
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Opening Defined Benefit Obligation	426.54	295.00
Current Service Cost	121.56	88.91
Interest Cost	43.44	33.91
Actuarial Losses/(Gain)	45.65	22.60
Liabilities assumed on acquisition/ (settled on divesture)	-	-
Benefit Paid	(23.62)	(13.88)
Closing Defined Benefit Obligation	<b>613.57</b>	426.54
<b>Change in Plan Assets</b>		
Opening Fair Value of the Plan Assets	332.88	254.23
Expected Return on Plan Assets	29.99	23.27
Actuarial Gains/(Losses)	(21.41)	28.50
Contributions by the Employer	93.65	40.76
Assets acquired on acquisition/ (distributed on divesture)	-	-
Benefit Paid	(23.62)	(13.88)
Closing Fair Value of the Plan Assets	<b>411.49</b>	332.88
<b>Investment details of Plan assets</b>		
100% of plan assets are invested with Insure Managed Funds.	-	-



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 5. Gratuity and Other Post Employment Benefits (Continued)

	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2013	As at 31 March, 2012
<b>Experience Adjustment</b>					
Defined Benefit Obligation	613.57	426.54	295.00	233.11	155.27
Plan Assets	411.49	332.88	254.23	141.77	96.39
Surplus/(Deficit)	(202.08)	(93.66)	(40.76)	(91.35)	(58.89)
Experience Adjustment on Plan Liabilities	29.07	(26.49)	(0.68)	27.76	15.90
Experience Adjustment on Plan Assets	(21.41)	28.50	1.48	7.14	(5.59)
<b>Principal Actuarial Assumptions at the Balance Sheet Date:-</b>					
Discount Rate (p.a.)	7.80%	8.00%	8.90%	7.90%	8.40%
Expected Rate of return on Assets (p.a.)	7.80%	8.50%	8.50%	8.50%	8.50%

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

Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields as at Balance Sheet date.

Investment in Plan Asset with Birla Sun Life Insurance Company Limited is Rs. 411.49 lakhs (31<sup>st</sup> March, 2015 Rs. 332.88 lakhs).

Estimated amount of contribution expected to be paid to the Gratuity Fund during the annual period after the Balance Sheet date is Rs. 100.00 lakhs (31<sup>st</sup> March 2015 Rs. 50.00 lakhs).

During the year the following cost has been incurred on account of :

#### Defined Benefit Plan

Particulars	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
Contribution to Company owned Provident Fund	72.26	78.30

The Guidance Note on implementation of AS-15, Employee Benefits (Revised 2005), issued by the ICAI states that Provident Fund set up by the employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefits plan. The Company contributes 12% of salary for all eligible employees towards Provident Fund managed either by approved trusts or by the Central Government.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 5. Gratuity and Other Post Employment Benefits (Continued)

#### Defined Contribution Plans

Amount recognised as an expense and included in Note 17 - "Contribution to Provident and Other Funds:-

Sr. No.	Particulars	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
i)	Contribution to Govt. Employees Provident Fund	189.61	143.04
ii)	Contribution to Govt. Employees Pension Fund	54.59	35.55
iii)	Contribution to Superannuation Fund	0.74	3.16
iv)	Contribution to ESIC	0.04	0.07
v)	Contribution to MLW Fund	0.01	0.01

#### Other Long Term Incentive Benefits:-

Liability for the scheme is determined based on actuarial valuation. The assumptions used for valuation are:

Particulars	31 <sup>st</sup> March 2016
Discount rate	7.38% per annum
Mortality rate	Indian Assured Lives Mortality (2006-08) Ultimate
Attrition rate	10.00 %

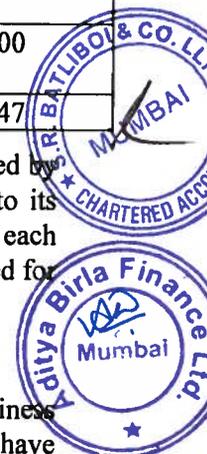
### 6. Details of Auditors Remuneration

Particulars	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
<b>As Auditors</b>		
For Statutory Audit (including Limited Review and ICFR)	43.00	36.00
For Tax Audit	4.00	4.00
<b>In Other Capacity</b>		
For Other Services (including Certificates and IND - AS)	7.50	2.00
For Reimbursement of Expenses	1.81	1.47

7. Aditya Birla Management Corporation Private Limited (ABMCPL), a Company limited by guarantee, has been formed to provide a common pool of facilities and resources to its members, with a view to optimize the benefits of specialization and minimize cost to each member. The Company's share of expenses under the common pool has been accounted for under the appropriate heads of account.

### 8. Segment Reporting

The Company is primarily engaged in financing activities. It operates in single business and geographical segment. The Company earned some treasury income, these income have been classified as "Unallocated reconciling item" as per requirements of AS- 17 on Segment Reporting.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 8. Segment Reporting (Continued)

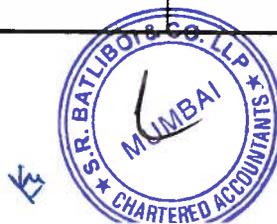
Particulars	31 <sup>st</sup> March 2016			31 <sup>st</sup> March 2015		
	Financing and Other Activities	Trading activities	Total	Financing and Other Activities	Trading activities	Total
Segment Revenue	244,060.44	4,599.99	248,660.43	174,082.31	3,962.68	178,044.99
Segment Results (Profit before tax and after interest on financing segment)	61,239.19	4,574.68	65,813.87	40,437.28	3,937.51	44,374.79
Less: Interest on trading activities	-	3,178.26	3,178.26	-	3,290.23	3,290.23
Net profit before tax	61,239.19	1,396.42	62,635.61	40,437.28	647.28	41,084.56
Less: Income taxes	-	-	21,775.50	-	-	14,016.93
Net profit after tax	-	-	40,860.11	-	-	27,067.63
<b>Other Information</b>						
Segment Assets	2,580,717.65	33,020.01	2,613,737.66	1,742,814.78	46,756.69	1,789,571.47
Unallocated Corporate Assets	-	-	8,517.09	-	-	6,114.42
<b>Total Assets</b>	<b>2,580,717.65</b>	<b>33,020.01</b>	<b>2,622,254.75</b>	<b>1,742,814.78</b>	<b>46,756.69</b>	<b>1,795,685.89</b>
Segment Liabilities	2,224,512.02	28,162.34	2,252,674.36	1,497,403.59	39,798.85	1,537,202.44
Unallocated Corporate Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,224,512.02</b>	<b>28,162.34</b>	<b>2,252,674.36</b>	<b>1,497,403.59</b>	<b>39,798.85</b>	<b>1,537,202.44</b>
Capital expenditure	1,034.68	-	1,034.68	1,153.32	-	1,153.32
Depreciation	760.11	-	760.11	670.93	-	670.93
Other non-cash expenses	10,456.22	1.00	10,457.22	7,502.53	1.00	7,503.53

### 9. Expenditure in Foreign Currency:

Particulars	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
Business / Sales Promotion / Staff Training and Seminar	50.72	11.36

### 10. CSR Expenses

CSR Expenses	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
Gross Amount Required to be spent during the year	540.00	322.00
Amount Spent during the year		
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	314.15	-



# Aditya Birla Finance Limited

## Notes to the Financial Statements (*Continued*)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 11. Merger

Madura Garments Lifestyle Retail Company Limited (MGLRCL), a fellow subsidiary of the Company, was amalgamated with the Company in terms of the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 including corresponding provisions of the Companies Act, 2013, as approved by the Hon'ble High Court of Gujarat vide its order O/Comp/392/2015 dated December 21, 2015 with an appointed date of July 01, 2015. The Scheme was made effective by the Company upon filing of Form INC - 28 with the Registrar of Companies, Gujarat on January 25, 2016.

Both MGLRCL and the Company are wholly owned subsidiaries of Aditya Birla Nuvo Limited.

In accordance with the said Scheme, the assets, liabilities and reserves of MGLRCL have been accounted at the values at which they were appearing in the books of MGLRCL as at July 01, 2015 and the difference between the net assets (assets and liabilities) and reserves of MGLRCL transferred to the Company is shown in the general reserves of the Company. The amalgamation has been accounted for under the "Pooling of Interest method" as prescribed by "Accounting Standard 14 (AS-14) Accounting for Amalgamation" notified under Section 133 of the Companies Act 2013.

The consideration payable to the shareholders of MGLRCL in terms of the Scheme is:

(a) 9 (Nine) equity shares of the face value of Rs.10/- (Rupees Ten Only) each fully paid-up of the Company for every 32 (Thirty Two) equity shares of the face value of Rs.10/- (Rupees Ten Only) each fully paid-up of MGLRCL to the equity shareholders of MGLRCL; and

(b) 1 (One) 8% Cumulative Redeemable Preference Shares of the face value of Rs.10/- (Rupees Ten Only) each fully paid-up of the Company for every 1 (One) 8% Cumulative Redeemable Preference Shares of the face value of Rs.10/- (Rupees Ten Only) each fully paid-up of MGLRCL to the preference shareholder of MGLRCL.

Accordingly, the Company has issued and allotted 53,455,883 equity shares of the face value of Rs. 10/- (Rupees Ten Only) each fully paid up to the equity shareholders of MGLRCL and 10,000,000 8% Cumulative Redeemable Preference Shares of face value of Rs. 10/- (Rupees Ten Only) each fully paid up to the preference shareholders of MGLRCL.

In terms of the Scheme, the Company has acquired assets having Net Book Value of Rs. 42,586.15 Lakhs as detailed hereunder:

Particulars	Rs. in Lakhs
Investments	42,500.00
Short term Loans and Advances	86.15
<b>Net Book Value</b>	<b>42,586.15</b>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

The difference between the net book value, after adjusting reserves of MGLRCL and the Equity and Preference shares issued to shareholders of MGLRCL is charged to General Reserve, in accordance with the Scheme, as detailed hereunder.

Particulars		Rs. in Lakhs
Net Book Value (as above)	(A)	42,586.15
Less: Deficit in Profit and Loss account considered as Profit and Loss account of the Company		(20,062.60)
Add: Securities Premium considered as Securities Premium of the Company		42,642.21
	(B)	22,579.61
<b>Balance</b>	<b>(C) = (A) - (B)</b>	<b>20,006.54</b>
Equity Shares issued to Shareholders of MGLRCL	(D)	5,345.59
Preference Shares issued to Shareholders of MGLRCL	(E)	1,000.00
<b>Amount Transferred To General reserve (F) = (C) - (D) - (E)</b>		<b>13,660.95</b>

The Preference Shares issued by the Company and held by MGLRCL viz. 425,000,000, 0.01% Compulsorily Convertible Preference Shares of Rs. 10/- (Rupees Ten Only) each, aggregating to Rs. 4,250,000,000/- (Rupees Four Hundred and Twenty Five Crores Only) has been cancelled and no preference shares have been issued as MGLRCL has been amalgamated with the Company pursuant to the Scheme.

Increase in Authorised Share Capital of the Company on account of merger is detailed as under:

Particulars	No. of Shares	Rs in Lakhs
Equity Shares of Rs. 10 each	270,000,000	27,000.00
8 % Cumulative Redeemable Preference Shares of Rs. 10 each	10,000,000	1,000.00

12. Details of Opening Stock, Purchases, Sales and Closing Stock in respect of trading in Securities are as follows:

Particulars/Year	Opening	Purchase	Sales	Closing
Units of Mutual Funds 2015-2016 (Nos.)	Nil	294,497,071.77	294,497,071.77	Nil
2014-2015 (Nos.)	Nil	127,028,662.65	127,028,662.65	Nil
Stock of Securities 2015-2016 (Rs.)	46,756.69	691,233.35	705,977.21	33,020.01
2014-2015 (Rs.)	11,672.48	798,509.92	763,937.14	46,756.69

# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

13. Information in respect of restructured assets in accordance with RBI circular no. (RBI/2013-14/459) DNBS. CO. PD. No. 367/03.10.01/2013-14 on restructuring of advances by NBFC.

The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring

Sr. no.	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Total										
		Standard	Sub-Standard	Doubtful	Loss	Standard	Sub-Standard	Doubtful	Loss											
1	Restructured Accounts at April 1, 2015																			
	No. of borrowers	-	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	7,305.26	207.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	3,426.83	207.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year ended March 31, 2016																			
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year ended March 31, 2016																			
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances at April 1, 2015, which cease to attract higher provisioning and/or additional risk weight at March 31, 2016 and hence need not be shown as restructured standard advances at April 1, 2016																			
	No. of borrowers	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Amount outstanding	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Provision thereon	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
5	Downgradations of restructured accounts during the year ended March 31, 2016																			
	No. of borrowers	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	4,083.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	4,083.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year ended March 31, 2016																			
	No. of borrowers	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	207.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts at March 31, 2016																			
	No. of borrowers	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	2,922.07	4,083.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	2,488.50	4,083.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

(Currency: Rupees in Lakhs)

### 13. Information in respect of restructured assets (Continued)

The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring

Sr. no.	Asset Classification Details	Type of Restructuring					Others					Total									
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total										
1	Restructured Accounts at April 1, 2015																				
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	1	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	7,305.26	-	-	207.08	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	3,426.83	-	-	207.08	-	-	-	-	-
2	Fresh restructuring during the year ended March 31, 2016																				
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year ended March 31, 2016																				
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances at April 1, 2015, which cease to attract higher provisioning and/or additional risk weight at March 31, 2016 and hence need not be shown as restructured standard advances at April 1, 2016																				
	No. of borrowers	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Amount outstanding	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Provision thereon	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
5	Downgradations of restructured accounts during the year ended March 31, 2016																				
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year ended March 31, 2016																				
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts at March 31, 2016																				
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

14. Disclosure pursuant to RBI circular DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10,2014.

### 14.1 Registration/ licence/ authorization obtained from financial sector regulators:

The Company has received certificate of registration as a non deposit taking NBFC from Reserve Bank of India wide dated August 9, 2011 having COR number N-01.00500 in lieu of earlier COR number B-13.01163 dated February 12, 1999.

### 14.2 Penalties levied if any during the year:

Nil

### 14.3 Investments

		(Rs.in Crores)	
Particulars		Current Year	Previous Year
(1)	<b>Value of Investments</b>		
	(i) Gross Value of Investments		
	(a) In India	498.91	40.69
	(b) Outside India,	-	-
	(ii) Provisions for Depreciation		
	(a) In India	7.71	0.74
	(b) Outside India,	-	-
	(iii) Net Value of Investments		
	(a) In India	491.20	39.95
	(b) Outside India,	-	-
(2)	<b>Movement of provisions held towards depreciation on investments.</b>		
	(i) Opening balance	0.74	0.46
	(ii) Add : Provisions made during the year	7.50	0.28
	(iii) Less : Write-off / write-back of excess provisions during the year	0.53	-
	(iv) Closing balance	7.71	0.74



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

### 14.4 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of P&L	(Rs.in Crores)	
	Current Year	Previous Year
Provision for depreciation on Investment	7.50	0.28
Provision towards Non Performing Assets	50.75	46.01
Provision made towards Income tax (Net of Deferred Tax)	217.75	140.17
Other Provision and Contingencies (with details)		
- Investments Written off	0.52	-
- Bad debts/Advances Written off	25.24	30.17
- Provision for Doubtful Debts (written back)	(24.46)	(30.19)
- Provision for diminution in Current Investment (written back)	(2.22)	(0.35)
- Change in Carrying Value of Current Investment	0.04	2.22
- Provision for diminution in Long Term Investment (written back)	(0.52)	-
- Provision for diminution on account of restructuring	-	-
- Provision for Premium on Investment (written back)	(3.37)	-
- General Contingency Provision	-	1.53
Provision for Standard Assets	32.72	14.21

### 14.5 Concentration of Advances

Particulars	(Rs.in Crores)	
	As on 31 March 2016	
Total Advances to twenty largest borrowers	4,440.22	
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	17.80%	

### 14.6 Concentration of Exposures

Particulars	(Rs.in Crores)	
	As on 31 March 2016	
Total Exposure to twenty largest borrowers / customers*	4,440.22	
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	17.80%	

\* The above calculation is as per loans outstanding as at year end.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

### 14.7 Concentration of NPAs

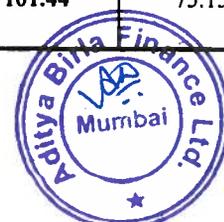
(Rs.in Crores)	
Particulars	As on 31 March 2016
Total Exposure to top four NPA accounts	106.95

### 14.8 Sector-wise NPAs

Sr No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	98.94%
2	MSME	0.01%
3	Corporate borrowers	0.60%
4	Services	0.01%
5	Unsecured working capital loans	0.00%
6	Auto loans	0.00%
7	Other personal loans	1.31%

### 14.9 Movement of NPAs

(Rs.in Crores)		
Particulars	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	0.22	0.46
(ii) Movement of NPAs (Gross)		
(a) Opening balance	152.99	147.11
(b) Additions during the year	45.22	51.97
(c) Reductions during the year	(41.04)	46.09
(d) Closing balance	157.17	152.99
(iii) Movement of Net NPAs		
(a) Opening balance	77.84	87.79
(b) Additions during the year	(5.53)	5.95
(c) Reductions during the year	(16.58)	15.90
(d) Closing balance	55.73	77.84
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	75.15	59.32
(b) Provisions made during the year	50.75	46.02
(c) Write-off / write-back of excess provisions	(24.46)	30.19
(d) Closing balance	101.44	75.15



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31st March 2016

### 14.10 Credit Rating

Instrument	Credit Rating Agency	Current Year	Previous Year
Commercial Paper	ICRA Limited	A1+	A1+
NCD	CARE Limited	CARE AA+	CARE AA+
	ICRA Limited	[ICRA] AA+ Stable	[ICRA] AA+ Stable
	India Ratings & Research Private Limited	IND AA+ Stable	IND AA+ Stable
Sub Debt	CARE Limited	CARE AA+	CARE AA+
	ICRA Limited	[ICRA] AA+ Stable	[ICRA] AA+ Stable
	India Ratings & Research Private Limited	IND AA+ Stable	IND AA+ Stable
Long Term Bank Loans	ICRA Limited	[ICRA] AA+ Stable	[ICRA] AA+ Stable
Short Term Bank Loans	ICRA Limited	[ICRA] A1+	[ICRA] A1+

### 14.11 Customer Complaints

Sr. No.	Particulars	For the year ended 31 March 2016
(a)	No. of complaints pending at the beginning of the year	-
(b)	No. of complaints received during the year	31
(c)	No. of complaints redressed during the year	28
(d)	No. of complaints pending at the end of the year	3

14.12 Disclosures pursuant to RBI Notification No. DNBR. 019/CGM (CDS) - 2015 dated April 10, 2015 are shown in note 23 (14) of notes to the financial statements only to the extent they are applicable to the Company.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31st March 2016

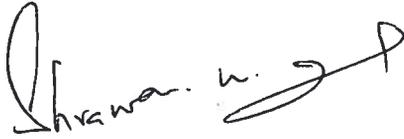
(Currency: Rupees in Lakhs)

15. Previous year/period's figures have been regrouped/ rearranged, wherever considered necessary, to conform with Current year/ period's presentation.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No:  
301003E/E300005



per Shrawan Jalan

Partner

Membership No: 102102

For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited



Ajay Srinivasan

(Director)

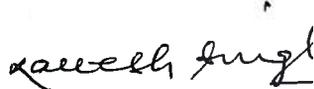
(DIN – 00121181)



B. N. Puranmalka

(Director)

(DIN – 00007432)



Rakesh Singh

(Chief Executive

Officer)



Sanjay Miranka

(Chief Financial Officer)



Sekhar Mosur

(Manager)



Ankur Shah

(Company  
Secretary)

Place: Mumbai

Date: 03 May 2016



Place: Mumbai

Date: 03 May 2016