

Board of Directors

Mr. V. Srinivasa Rangan (DIN 00030248)
Chairman

DIRECTORS

Mr. Biswamohan Mahapatra (DIN 06990345)
Mr. Amitabh Chaudhry (DIN 00531120)
Mr. Sudhin Choksey (DIN 00036085)
Ms. Madhumita Ganguli (DIN 00676830)
Mr. Subodh Salunke (DIN 03053815)
Mr. Ajay Bohora (DIN 00694444)
Managing Director
& Chief Executive Officer
Mr. Anil Bohora (DIN 00694396)
Managing Director

SENIOR EXECUTIVES

Mr. Sebastian Fernandez (FCA: 112793)
Chief Financial Officer
Ms. Akanksha Kandoi (FCS:6883)
Company Secretary

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Bankers

HDFC Bank Ltd Corporation Bank
Bank of India Indian Bank
ICICI Bank Allahabad Bank
Andhra Bank Syndicate Bank
IndusInd Bank IDBI Bank
Punjab National Bank

DEBENTURE TRUSTEES

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai - 400 001.
Tel: 022-4080 7001

Registered Office:

B-301, Citi Point, Andheri Kurla Road,
Andheri East, Mumbai 400 059.
Tel. No. : 022-28256636
Fax No. : 022-2471 2447
CIN: U67190MH2006PTC159411

Registrar & Transfer Agents

Adroit Corporate Services Pvt. Ltd.
17-20, Jafferbhoy Ind. Estate,
1st Floor, Makwana Road,
Marol Naka, Andheri (E),
Mumbai - 400059
Tel: 022- 42270400
Fax: 022- 28503748

Directors' Report**TO THE MEMBERS****Change in the Name of the Company**

Your Directors are pleased to inform you that pursuant to the approval of the members obtained at the Extraordinary General Meeting of the Company held on January 16, 2017 and issue of fresh Certificate of Incorporation by the Registrar of Companies on February 19, 2017, the name of the Company has been changed from Credila Financial Services Private Limited to HDFC Credila Financial Service Private Limited with effect from February 19, 2017. The Company being registered with the Reserve Bank of India (RBI) as a Systemically Important Non-Deposit taking Non-Banking Financial Company, the Company has obtained a fresh Certificate of Registration from the RBI on March 09, 2017, pursuant to change of name of the Company.

Financial Results

Your Directors are pleased to present the Twelfth Annual Report of your Company with the audited accounts for the year ended March 31, 2017:

	For the year ended March 31, 2017 (₹ in Crore)	For the year ended March 31, 2016 (₹ in Crore)
Total Income	391.81	300.54
Total Operating Expenses	54.42	43.33
Gross Profit Before Interest and Depreciation	337.39	257.21
Less : Interest and Finance Charges	237.24	187.98
Less : Depreciation	0.45	0.37
Profit Before Tax	99.69	68.86
Less : Provision for Taxation	35.77	25.10
Add : MAT Credit Entitlement	—	—
Add : Provision for Deferred Tax	1.55	1.30
Profit After Tax	65.47	45.06
Less : Transfer to Reserve as per Section 45-IC (1) of RBI Act	13.09	9.01
Less : Dividend on Compulsorily Convertible Preference Shares*	—	0.01
Less : Dividend Distribution Tax	—	0.001
Balance carried to Balance Sheet	52.38	36.04

*Dividend of ₹ 67,000/- shall be accounted for on the basis of actual payment

Dividend

Your Directors recommend payment of dividend of ₹ 67,000/- for the year ended March 31, 2017, on the 0.01% Compulsorily Convertible Preference Shares having fully paid up value of ₹ 66,99,99,560.

In order to conserve the resources for future, your Directors do not

recommend any dividend on equity shares for the year ended March 31, 2017.

Review of Operations

During the financial year ended March 31, 2017, the Company earned a profit before tax of ₹ 99.69 crore as compared to the profit before tax of ₹ 68.86 crore in the previous

year. The Company's loan book has grown by 34% in this financial year and its total income has increased by 30% with a marginally lower increase in its operating costs. While achieving a robust growth, the Company also maintained its quality of portfolio with net non-performing loans of 0.02% as at March 31, 2017, despite adopting the 90 days overdue norms for identification of non-performing loans. During the year under review, there was no material change or commitment nor any change in the nature of business of the Company that would affect its financial position.

Profit to be carried forward to Reserves

Your Directors propose to transfer ₹ 13.09 crore as per section 45-IC of the Reserve Bank of India Act, 1934 to the Special Reserve of the Company for the year ended on March 31, 2017.

Repayments

During the year under review, ₹ 574 crore was received by way of scheduled repayment of principal through monthly installments as well as redemptions ahead of schedule, as compared to ₹ 405 crore received during the previous year.

Non Performing Loans

The Company has adopted the 90 days overdue norm for identification of non-performing loans in the current financial year as opposed to the 120 days overdue norm which is stipulated under the RBI regulations. Gross non-performing loans as at March 31, 2017 amounted to ₹ 1.52 crore. This is equivalent to 0.05% of the loan portfolio (as against 0.05% for 150 days overdue norms in the previous year). During the year, the Company has

changed its provisioning policy for non-performing loans by providing a higher provisioning percentage than the RBI prescribed norms. The impact of the aforesaid change in policy has resulted into an incremental provision on non-performing loans of ₹ 6.36 Lakh. The provision for non-performing loans as at March 31, 2017 stood at ₹ 0.84 crore (as against ₹ 0.61 crore in the previous year).

As specified in the Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Company has made provision at 0.35% of the standard assets as compared to the provision made at 0.30% of the standard assets during the previous year. The provision for standard assets as at March 31, 2017 stood at ₹ 11.60 crore (as against ₹ 7.39 crore in the previous year).

Resource Mobilization

Perpetual Debt

As at March 31, 2017, the Company's outstanding Perpetual Debt stood at ₹150 crore and was considered as Tier I & Tier II capital under the guidelines issued by the RBI for the purpose of computation of capital adequacy in the Company. The Perpetual Debt has been assigned the rating of 'ICRA AA' and 'CARE AA' by ICRA and CARE respectively. It is subordinated to the present and future senior indebtedness of the Company and is perpetual in nature with a call option after 10 years from the date of the issue. The Company's Perpetual Debt is listed on the BSE Limited. The Company has been regular in its payment obligation towards the Perpetual Debt.

Subordinated Debt

As at March 31, 2017, the Company's outstanding Subordinated Debt stood at ₹ 100 crore. This debt is subordinated to the present and future senior indebtedness of the Company. It has been assigned a rating of 'CRISIL AA+' and 'CARE AA+' by CRISIL and CARE respectively. Based on the balance term to maturity, as at March 31, 2017, ₹ 100 crore of the book value of this debt was considered as Tier II capital under the guidelines issued by the RBI for the purpose of computation of capital adequacy in the Company. The Company has been regular in its payment obligations towards the Subordinated Debt.

Non-Convertible Debentures (NCD)

During the year under review, the Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 700 crore on a private placement basis. The Company's NCD issues have been listed on the Wholesale Debt Market segment of the BSE Limited. Various NCD issues have been assigned the rating of 'CRISIL AA+' and 'CARE AA+'. As at March 31, 2017, the Company's outstanding NCDs stood at ₹ 1,100 crore.

The Company has been regular in its payment obligations towards the NCDs. The Company is in compliance with the provisions of the Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Loans

Term Loans from Banks

As at March 31, 2017, the total term loans outstanding from banks amounted to ₹ 1,328 crore as compared to ₹ 1,172 crore as at March 31, 2016.

Commercial Paper

The Company's Commercial Papers have been assigned the highest rating of 'ICRA A1+' by ICRA, signifying highest safety for timely servicing of debt obligations. The face value of the Commercial Papers outstanding as at March 31, 2017 was ₹ 275 crore as compared to ₹ 425 crore as at March 31, 2016.

Deposits

The Company has not accepted any deposit during the financial year 2016-17 and as such, no amount of principal or interest was outstanding as at March 31, 2017.

Regulatory Guidelines / Amendments

The Company has complied with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 prescribed by the RBI regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, etc.

During the year, the Company has adopted 90 days overdue norm for identification of non-performing loans in the current financial year as compared to the 120 days overdue norm and also changed its provisioning policy for non-performing loans by providing a higher provisioning percentage which is permitted under the RBI regulations as follows:

Type of Non Performing Asset (NPA)	As per RBI	Company Policy
Secured Substandard	10%	15%
Unsecured Substandard	10%	20%
Secured Doubtful (upto 1 Year)	20%	25%
Secured Doubtful (1 to 3 Years)	30%	35%
Secured Doubtful (more than 3 Years)	50%	55%
Unsecured Doubtful	100%	100%

Capital Adequacy Ratio

The Company's capital adequacy ratio (CAR) stood at 17.6% as at March 31, 2017, of which Tier I capital was 10.5% and Tier II capital was 7.1%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital as at March 31, 2017 is 15% and 10% respectively.

Subsidiary / Associate Companies

Your Company does not have any subsidiary or associate company.

Particulars of Employees' Remuneration

The Company had 246 employees as at March 31, 2017. During the year, 2(two) employees employed throughout the year were in receipt of remuneration of ₹ 1.02 crore or more per annum and there was no employee employed for part of the year who was in receipt of remuneration of ₹ 8.5 lac or more per month.

In accordance with the provisions of Rule 5.2 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn and of the aforesaid employees are set out in the annex to the Directors' Report. In terms of the provisions of Section 136(1) of the Companies Act, 2013 read with the rule, the Directors' Report is being sent to

all shareholders of the Company excluding the annex. Any shareholder interested in obtaining a copy of the annex may write to the Company.

Further disclosures on managerial remuneration are provided in Annex 1 appended to the Directors' Report.

Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment of women at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the year under review, no complaints were received by the Company.

Vigil Mechanism/Whistleblower Policy

The Company has in place a Vigil Mechanism & Whistleblower Policy to ensure that all the employees and directors of the Company work in a conducive environment and are given a platform to freely express their concerns or grievances on various matters pertaining to any malpractice, actual/suspected fraud or violation of the Company's Code of Conduct.

In order to ensure highest standards of governance within the Company, under the Whistleblower Policy, other stakeholders including borrowers, key partners, direct selling agents and vendors can report any misconduct or act that is not in the interest of the Company. The policy provides that the whistleblower shall be protected against any detrimental action as a result of any allegations made by him in good faith. The policy is placed on the website of the Company, www.credila.com.

Loans, Guarantees or Investments

Since the Company is a Non Banking Financial Company, the disclosures regarding particulars of the loans given, guarantee given and security provided is exempt under the provisions of Section 186(11) of the Companies Act, 2013.

During the year, the Company has not made any investments.

Particulars of Contracts or Arrangements with Related Parties

The Company has not entered into any contract or arrangement with related parties referred to in Section 188(1) of the Companies Act, 2013 requiring disclosure in Form AOC-2, as prescribed under Rule 8(2) of the Companies (Accounts) Rules, 2014.

Details of related party transactions as required to be disclosed under Accounting Standard - 18 on "Related Party Disclosures" and the Listing Regulations, are given in the Notes to the Financial Statements.

The Company's policy on dealing with Related Party Transactions is available on its website www.credila.com.

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

During the financial year 2016-17, the Company has received an amount of ₹ 1.86 crore (previous year ₹ 2.45 crore) in foreign currency towards repayment of education loans.

During the financial year 2016-17, the Company expended ₹ 1.34 crore (previous year ₹ 1.11 crore) resulting in an outgo in foreign currency.

Since the Company does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption

stipulated in the Companies (Accounts) Rules, 2014 are not applicable.

Directors

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Subodh Salunke and Ms. Madhumita Ganguli retire by rotation at the ensuing Annual General Meeting (AGM). They are eligible for re-appointment.

The necessary resolutions and the brief profile for the re-appointment of the aforesaid directors have been included in the notice convening the ensuing AGM.

All the directors of the Company have confirmed that they are not disqualified from being appointed as directors, in terms of Section 164(2) of the Companies Act, 2013.

The independent directors of the Company have also confirmed that they meet the criteria of Independence as provided under Section 149(6) of the Companies Act, 2013.

All the directors of the Company have confirmed that they are 'fit and proper' to act as directors as per the RBI Master Directions.

Auditors

Messrs Deloitte Haskins & Sells LLP, Chartered Accountants, (firm registration number 117366W/W-100018 with the Institute of Chartered Accountants of India) have been the statutory auditors of the Company and will complete their term at the conclusion of the ensuing Annual General Meeting (AGM). Due to the mandatory rotation of statutory auditors in accordance with the provisions of Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors)

Rules, 2014, Messrs Deloitte Haskins & Sells LLP are not eligible for re-appointment.

The board places on record its appreciation for the professional services rendered by Messrs Deloitte Haskins & Sells LLP during their association with the Company as its auditors.

Pursuant to the recommendation of the Audit Committee of Directors, the board proposes to appoint Messrs BS R & Co. LLP, Chartered Accountants (firm registration number 101248W/W-100022) as the statutory auditors of the Company for a term of 5 consecutive years and to hold office from the conclusion of the 12th AGM until the conclusion of the 17th AGM. The appointment will be subject to ratification by the members of the Company at every AGM.

Messrs B S R & Co. LLP have consented to the appointment and have issued a certificate to the effect that the appointment, if made, shall be in accordance with the conditions as prescribed in Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014. They have confirmed that they meet the criteria for independence, eligibility and qualification as prescribed in Section 141 of the Companies Act, 2013.

The Auditors' Report annexed to the financial statement for the year under review does not contain any qualifications.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s Vinod Kothari & Company, Practising Company

Secretaries, to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed to this report and does not contain any qualifications.

Litigations

During the year under review, no adverse order was passed by any regulatory/statutory authority or court/tribunal against the Company.

Subsequent Events

There are no material changes and commitments affecting the financial position of the company which have occurred between March 31, 2017 and the date of this report.

Directors' Responsibility Statement

In accordance with the provisions of Section 134(3)(c) of the Companies Act, 2013 and based on the information provided by the management, your directors state that:

a) In the preparation of annual accounts, the applicable accounting standards have been followed;

b) Accounting policies selected have been applied consistently. Reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and the profit of the Company for the year ended on that date;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) The annual accounts of the Company have been prepared on a going concern basis;

e) Internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) Systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Management Discussion and Analysis Report and Report of the Directors on Corporate Governance

The Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

Internal Financial Control

The Company has put in place adequate policies and procedures to ensure that the system of internal financial control is commensurate with the size and nature of the Company's business. These systems provide a reasonable assurance in respect of providing financial and

operational information, complying with applicable statutes, safeguarding of assets of the Company, prevention and detection of frauds, accuracy and completeness of accounting records and ensuring compliance with corporate policies.

Extract of Annual Return – Form MGT-9

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed to this report.

Acknowledgements

The Company acknowledges the role of all its key stakeholders - shareholders, debenture holders, borrowers, channel partners and lenders for their continued support to the Company.

Your directors place on record their gratitude for the support of various regulatory authorities including RBI, SEBI, MCA, Registrar of Companies, Financial Intelligence Unit (India), BSE Limited and the depositories.

While recognising the challenging work environment, your Directors place on record their appreciation for the hard work, loyalty and efforts of the employees whose professionalism has ensured excellent all-round performance of the Company.

On behalf of the Board of Directors

MUMBAI
April 18, 2017

V. SRINIVASA RANGAN
Chairman

Annex to Directors' Report - I

DISCLOSURES ON MANAGERIAL REMUNERATION

Details of remuneration as required under Rule 5.1 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided below:

Ratio of remuneration of each director to the median employee's remuneration for the financial year 2016-17

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. V. Srinivasa Rangan	Chairman	0.96:1
Mr. B. Mahapatra	Independent Director	0.61:1
Mr. Amitabh Chaudhry	Independent Director	0.55:1
Mr. Sudhin Choksey	Independent Director	0.65:1
Ms. Madhumita Ganguli	Non - Executive Director	0.57:1
Mr. Subodh Salunke	Non - Executive Director	0.88:1
Mr. Anil Bohora	Managing Director	27.42:1
Mr. Ajay Bohora	Managing Director & CEO	27.42:1

Percentage increase in the remuneration of each director and key managerial personnel in the financial year 2016-17

Name	Designation	Increase in Remuneration (%)
Mr. Anil Bohora	Managing Director	40%
Mr. Ajay Bohora	Managing Director & CEO	40%
Mr. Sebastian Fernandez	Chief Financial Officer	22%
Ms. Shivangi Dave*	Company Secretary	-
Ms. Akanksha Kandoi**	Company Secretary	-

*Resigned w.e.f. May 31, 2016

** Appointed w.e.f. June 24, 2016

Further details are provided in Form MGT 9.

Average percentile increase already made in salaries of employees other than managerial personnel in the previous financial year and its comparison with the percentile increase in managerial remuneration

The average increase in the remuneration of all employees was 16% in the financial year 2016-17. The average increase in remuneration of the executive directors was at 40% on account of commission for the financial year 2016-17 of ₹ 2 crore (Previous Year ₹ 1.20 crore).

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Company. Further, the criteria for remuneration of non-managerial personnel is based on an internal evaluation, while the remuneration of the managerial personnel is based on the Remuneration Policy of the Company as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors.

The Company reiterates that there were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

The increase in remuneration of Key Managerial Personnel is based on the overall performance of the Company. As elucidated above, the Company performed well on various financial parameters. In addition, a peer comparison of other education finance companies reaffirmed the Company's strong performance in the financial year 2015-16.

Annex to Directors' Report - 2 Management Discussion and Analysis

The Company is registered with the Reserve Bank of India (RBI) as a systemically important non-deposit taking non-banking financial institution. The Company is India's first dedicated education loan company. The Company provides education loans to students for pursuing their higher education in India and abroad. Customers of the Company are entitled to income tax deduction under section 80E of the Income Tax Act, 1961.

Industry Structure and Developments

With the rising cost of higher education, it is getting increasingly difficult for the students and the parents to finance their higher education with the family funds. It is, therefore becoming quite important for students to avail education loans. India has 789¹ Universities and over 38,400² educational institutes. There are 19² IIMs and 23² IITs in India. India has over 34 million² students studying in Indian higher education system. Unlike the past, where there was a mismatch between the demand and supply of management institutes, today there is an ample supply of such institutes. As per ASSOCHAM research report, currently the number of management institutes in India have grown to around 5,500³ resulting in the total intake capacity of 5,20,000³ students. However, most of this growth has been in the private institutes. This and other factors have led to a relatively steep rise in the fees of management institutes.

Most of the banks in India offer education loans. As per the RBI, total education loan outstanding of all the banks in India, stands at ₹ 60,433⁴ crore as on March 31, 2017.

Opportunities and Threats

Gross Enrollment Ratio (GER)*in India for higher education is 24.3%² which is far lower than that of the developed countries.

- GER of other countries⁵ :

Country	GER
USA	89.1%
Japan	62.0%
UK	59.8%
China	29.7%

*GER is the number of students enrolled in a given level of education, expressed as a percentage of the population number of that age group.

Education loan as an asset class, is in the nascent phase in India with huge growth potential. In the matured markets globally, education loan portfolio is extremely high as compared to that of India as it appears in the following table.

Total education loan outstanding of various countries:

Country	Population	Total education loans outstanding
USA	320 Million	USD 1.3 Trillion ⁶
UK	64 Million	USD 105 Billion ⁷
Japan	127 Million	USD 73 Billion ⁸
Australia	23 Million	USD 16 Billion ⁹
Canada	35 Million	USD 16 Billion ¹⁰
India	1.2 Billion	USD 10 Billion ⁴

On one hand, the cost of education has been constantly rising, while on the other hand, the salary levels of fresh graduates are not rising that rapidly. Employment scenarios in India and more so globally have been going through lots of turbulence and adjustments, which leads to relatively slow growth in starting salary levels of fresh graduates. As the lender of education loan, the biggest

threat the Company faces is in the macroeconomic environment in India and abroad. Depending on the growth of the economies, new employment and other opportunities open up for the graduating students. Vast geographical reach and corresponding distribution capabilities of the banks is another threat.

Segment-wise or Product-wise Performance

The Company focuses on only one segment, which is education loans.

The Company has two main product categories which include secured education loans and unsecured education loans. Currently, the Company has 51% of its education loan portfolio as secured and 49% as unsecured. Both of these product categories continue to perform well. The gross non-performing assets of the Company are at 0.05% as at March 31, 2017.

Outlook

As per the report, over 250 million² students are in K-12 (Kindergarten to Std. XII) in India. This constitutes a huge pool of talented youth, who will enter the Indian higher education system.

The trend among Indian students to pursue their dreams of higher education abroad still continues as is evident from the rising number of students going abroad.

For over a decade now, the Company has been developing strong domain expertise in education loans. The Company has efficient and domain specific technology platform for loan sourcing, lead management, loan processing, credit, underwriting, operations and servicing. The Company uses the most updated technology platform which enables the Company to grow and still remain cost competitive. The Company's focus will continue to be on prudent credit norms, constantly monitoring portfolio performance and fine tuning the policies accordingly.

Annex to Directors' Report - 2 (Continued)

Risks and Concerns

Based on the Risk Management Framework and Policy formulated and adopted by the Risk Management Committee of the Company, the following risks have been identified by the Company:

- **Credit, collection and risk management:** Education loan as the asset class across the world and in India has been having high NPAs. Currently, 49% of the education loan portfolio of the Company is unsecured. Collection and recovery related inefficiencies can be the potential risk;
- **Accounts, finance and compliance:** Fluctuations in interest rate affecting spread, liquidity risk which can affect fund raising, non-compliance with laws and regulations can be another potential risk;
- **Sales and Marketing:** Banks offering education loans at lower rates is a business risk. The Company not being able to generate adequate quality leads, misrepresentation or wrong commitments on the part of the sales team can also pose risks to the Company;
- **Human Resources:** Potential non-adherence to Company's policies can pose risk;
- **Operational risk:** Operational risks are very broad and intrinsic to any business which may vary from a change in the key management personnel, information technology risks relating to the loan processing system, fraud risks, etc.

For the students to be able to continue to repay their education loans, it's quite critical to have strong employment and business opportunities in India and abroad. Uncertainties regarding the above can be a concern. Also, the depreciation of the Indian currency against the US dollar, results in higher cost of education and consequent

increase in the amount of education loan required and availed by the Indian students, which continue to be the concern of the lenders of education loans.

Internal Control System

The Internal Audit function is carried out by the independent audit firm. All significant Internal Audit observations are reported to the Audit Committee of the Company.

The Company has undertaken comprehensive exercise for documentation of Standard Operating Procedures (SOPs), including internal financial controls. The Company has also prepared Risk Registers as per the Risk Management Policy. Also, the Company has put together internal control systems which commensurate with the nature and size of the business. Internal Audit has been carried out during the year by an independent firm of Chartered Accountants. The Audit Committee has been constituted under section 177 of the Companies Act, 2013 with specified terms of reference.

Secretarial Audit was conducted by a firm of practising company secretaries. During the year, an independent firm of chartered accountants has carried out compliance audit of filing of returns with the RBI.

Discussion on Financial Performance with respect to Operational Performance

During the financial year 2016-17, the Company disbursed ₹ 1,336 crore as against ₹ 1,101 crore in the previous year and registered a growth of over 21%. The Company disbursed education loans to 7,513 students (previous year 6,645 students) and the average education loan was ₹ 17.79 lac during the year as against ₹ 16.58 lac during the previous year. The financial and operational performance of the Company for the year ended on March 31, 2017 has been good with an increase in loan

book by 34% and the gross non-performing loans staying at 0.05%. The Company has also seen an increase in net profit after tax by over 45% to ₹ 65 crore.

Material developments in Human Resources/Industrial Relations front, including number of people employed

The number of employees in the Company as at March 31, 2017 were 246. During the year, various training programs were held at various locations on numerous topics on knowledge, skill and attitude.

There has been no industrial dispute during the year.

Sources:

¹<http://www.ugc.ac.in/oldpdf/alluniversity.pdf>

²http://mhrd.gov.in/sites/upload_files/mhrd/files/statistics/ESG2016_0.pdf

³<http://www.assochem.org/newsdetail.php?id=5651>

⁴<http://rbidocs.rbi.org.in/rdocs/content/docs/PR2941SD28042017.xlsx>

⁵UNESCO

⁶https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2016Q4.pdf

⁷<http://www.slc.co.uk/media/5655/slcsfr012015.pdf.2015>

⁸<https://www.tuition.io/blog/2013/06/student-loans-around-the-globe/,2014>

⁹http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/StudentLoans,2013

¹⁰<http://cfs-fcee.ca/wp-content/uploads/sites/2/2015/03/Report-Impact-of-Student-Debt-2015-Final.pdf,2015>

Annex to Directors' Report - 3**THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

[Pursuant to Section 135 of the Companies Act, 2013 and Companies
(Corporate Social Responsibility Policy) Rules, 2014]

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken:

The Company believes in conducting its business responsibly, fairly and in a most transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates and as a part of its social objectives.

The main objective of the CSR Policy of the Company is to lay down guidelines to make CSR a key business process for sustainable development of the society and the environment in which it operates. It aims in enhancing welfare measures of the society based on the immediate and long term social and environmental consequences of the Company's activities in India.

The CSR Policy of the Company is available on the Company's website www.credila.com

2. The Composition of the CSR Committee:

Mr. B. Mahapatra (Chairman), Mr. V. Srinivasa Rangan, Ms. Madhumita Ganguli and Mr. Ajay Bohora.

The committee met three times during the year. The meetings were held on April 18, 2016, October 24, 2016, January 16, 2017 and one resolution by circulation was passed on March 29, 2017. All the members of the committee attended all the meetings during the year.

3. Average net profit of the Company for last three financial years: ₹ 44,29,05,455.**4. Prescribed CSR Expenditure (2% of the amount in Point 3 above): ₹ 88,58,109.****5. Details of CSR spent during the financial year.****6. Total amount to be spent during the financial year (2016 - 2017): ₹ 88,58,109.**

(a) Amount unspent, if any: Nil.

(b) Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR Project or Activity Identified	Sector	Locations District (State)	Amount Outlay (Budget) on Projects or Programmes	Amount Spent (Direct) on Project or Programmes	Cumulative Expenditure upto Reporting Period	Name of the Agency/ Trust
1	Providing quality education to children from low income communities	Promoting Education	Bangalore (Karnataka)	10,00,000	10,00,000	10,00,000	Smile Foundation
2	Treating the less fortunate children born with facial deformities like cleft lip and palate	Providing Facial Surgeries to Children	Mumbai (Maharashtra) & Bangalore (Karnataka)	42,29,054	42,29,054	42,29,054	INGA Health Foundation
3	Promoting and encouraging the fields of education having Indian heritage value	Education (Promoting Education)	Chennai (Tamil Nadu)	200,000	200,000	200,000	Om Charitable Trust
4	Protecting the children living in dangerous circumstances and face the risk of child trafficking, child marriage, hazardous work, violence and abuse etc.	Ensuring safety to vulnerable girls	Mumbai (Maharashtra)	20,00,000	20,00,000	20,00,000	The Aangan Trust
5	Training and employment for holistic and educational rehabilitation of mentally challenged women	Rehabilitation of mentally challenged women	Mumbai (Maharashtra)	14,29,055	14,29,055	14,29,055	Om Creations Trust
Grand Total				88,58,109	88,58,109	88,58,109	



Twelfth Annual Report 2016-17

Annex to Directors' Report - 3 (Continued)

7. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report - Not Applicable.
8. Total amount of CSR is spent through implementation agencies.
9. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company.

For HDFC Credila Financial Services Private Limited

MUMBAI
April 18, 2017

MR. AJAY BOHORA
Managing Director & CEO

MR. B. MAHAPATRA
Chairman - CSR Committee



Annex to Directors' Report - 4**Form No. MGT-9****EXTRACT OF ANNUAL RETURN**

As on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies
(Management and Administration) Rules, 2014]**I. REGISTRATION AND OTHER DETAILS**

CIN	U67190MH2006PTC159411
Registration Date	February 1, 2006
Name of the Company	HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED (Formerly known as Credila Financial Services Private Limited)
Category/Sub-Category of the Company	Company limited by shares/Non-Government Company
Address of the Registered office and contact details	B - 301, Citi Point, Next to Kohinoor Continental, Andheri - Kurla Road, Andheri (East), Mumbai, 400 059.Tel No.: 022-2826 6636
Whether listed Company Yes/No	Yes (The Debt securities of the Company are listed on the BSE Ltd.)
Name, Address and Contact details of Registrar and Transfer Agent, if any	Adroit Corporate Services Private Limited 19 / 20 Jaferbhoy Ind. Estate, 1st floor, Makwana Road, Marol, Andheri (E), Mumbai - 400 059. Telephone No. +91-22- 4227 0400 / 2859 6060 Email id: info@adroitcorporate.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:-

Sr. No.	Name and Description of main products / services	NIC Code of the Product / Service	% of total turnover of the Company
1	Providing Education Loans for higher education	64920	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED Ramon House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai, 400020.	L70100MH1977PLC019916	Holding Company	81.12%	2(46)

Annex to Directors' Report - 4 (Continued)

IV. SHARE HOLDING PATTERN (Equity Share Capital breakup as percentage of total equity)

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (April 1, 2016)				No. of Shares held at the end of the year (March 31, 2017)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
(1) Indian									
(a) Individual/ HUF	57,35,000	—	57,35,000	10.67	57,35,000	—	57,35,000	9.44	(1.23)
(b) Central Govt.	—	—	—	—	—	—	—	—	—
(c) State Govt.(s)	—	—	—	—	—	—	—	—	—
(d) Bodies Corp.	—	—	—	—	—	—	—	—	—
(e) Banks / FI	4,22,72,003	—	4,22,72,003	78.66	4,92,72,003	—	4,92,72,003	81.12	2.46
(f) Any other	—	—	—	—	—	—	—	—	—
Sub-total (A) (1)	4,80,07,003	—	4,80,07,003	89.33	5,50,07,003	—	5,50,07,003	90.56	1.23
(2) Foreign	—	—	—	—	—	—	—	—	—
(a) NRIs- Individuals	57,35,000	—	57,35,000	10.67	57,35,000	—	57,35,000	9.44	(1.23)
(b) Other- Individuals	—	—	—	—	—	—	—	—	—
(c) Bodies Corp.	—	—	—	—	—	—	—	—	—
(d) Banks / FI	—	—	—	—	—	—	—	—	—
(e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (2)	57,35,000	—	57,35,000	10.67	57,35,000	—	57,35,000	9.44	(1.23)
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	5,37,42,003	—	5,37,42,003	100.00	6,07,42,003	—	6,07,42,003	100.00	—
B. Public Shareholding									
1. Institutions	—	—	—	—	—	—	—	—	—
2. Non-Institutions	—	—	—	—	—	—	—	—	—
C. Shares held by Custodian for GDRs & ADRs	—	—	—	—	—	—	—	—	—
Grand Total (A+B+C)	5,37,42,003	—	5,37,42,003	100.00	6,07,42,003	—	6,07,42,003	100.00	—

Annex to Directors' Report - 4 (Continued)**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (April 1, 2016)			Shareholding at the end of the year (March 31, 2017)			% change in shareholding 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	Housing Development Finance Corporation Limited	4,22,72,003	78.66	—	4,92,72,003	81.12	—	2.46
2	Anil Bohora	57,35,000	10.67	—	57,35,000	9.44	—	(1.23)
3	Ajay Bohora	57,35,000	10.67	—	57,35,000	9.44	—	(1.23)
	Total	5,37,42,003	100.00	—	6,07,42,003	100.00	—	—

(iii) Change in Promoters' Shareholding:

Date	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
	Housing Development Finance Corporation Limited				
	At the beginning of the year	42,272,003	78.66%		
12.08.2016	Allotment of equity shares on Right Basis	2,000,000	0.77%	44,272,003	79.42%
30.03.2017	Allotment of equity shares on Right Basis	5,000,000	1.69%	49,272,003	81.12%
	At the end of the year			49,272,003	81.12%

There is no change in the number of shares held by the other promoters and there is a reduction in terms of percentage holding in the Company due to the above share issues.

- (iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NIL.
- (v) **Shareholding of Directors and Key Managerial Personnel:** The shareholding of Mr. Anil Bohora, Managing Director and Mr. Ajay Bohora, Managing Director & CEO are as per point (ii) above. There are no shares held by Mr. Sebastian Fernandez, Chief Financial Officer and Ms. Akanksha Kandoi, Company Secretary.

Annex to Directors' Report - 4 (Continued)**V. INDEBTEDNESS**

Particulars	Secured Loans excluding deposits (₹)	Unsecured Loans (₹)	Deposits (₹)	Total Indebtedness (₹)
Indebtedness at the beginning of the financial year				
i) Principal Amount	15,719,672,123	6,675,766,901	—	22,395,439,024
ii) Interest due but not paid	11,883,625	—	—	11,883,625
iii) Interest accrued but not due	134,987,229	138,104,504	—	273,091,733
Total (i+ii+iii)	15,866,542,977	6,813,871,405	—	22,680,414,382
Change in Indebtedness during the financial year				
• Addition	—	—	—	—
• Reduction	—	—	—	—
Net Change	8,775,800,441	-1,456,204,494	—	7,319,595,947
Indebtedness at the end of the financial year				
i) Principal Amount	24,267,250,252	5,220,142,355	—	29,487,392,607
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	375,093,166	137,524,556	—	512,617,722
Total (i+ii+iii)	24,642,343,418	5,357,666,911	—	30,000,010,329

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sr. No.	Particulars of Remuneration	Name of MD / WTD / Manager		Total Amount (₹)
		Mr. Anil Bohora Managing Director (₹)	Mr. Ajay Bohora Managing Director & CEO (₹)	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	40,05,000	40,05,000	80,10,000
	(b) Value of perquisites under Section 17(2) Income-tax Act, 1961	—	—	—
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	—	—	—
2	Stock Option	—	—	—
3	Sweat Equity	—	—	—
4	Commission			
	- as % of profit	—	—	—
	- others	1,00,00,000	1,00,00,000	2,00,00,000
5	Others, please specify			
	Total (A)	1,40,05,000	1,40,05,000	2,80,10,000
	Overall Ceiling as per the Companies Act, 2013	₹ 5.12 crore each (5% each of the net profits of the Company)		₹ 10.25 crore (10% of the net profits of the Company)

Annex to Directors' Report - 4 (Continued)**B. Remuneration to other Directors:**

Name of Directors	Particulars of Remuneration			
	Fees for attending board/ committee meetings (₹)	Commission paid for financial year* (₹)	Others, please specify	Total Amount (₹)
Mr. V. Srinivasa Rangan	4,90,000	—	—	4,90,000
Mr. B. Mahapatra	3,10,000	—	—	3,10,000
Mr. Amitabh Chaudhry	2,80,000	—	—	2,80,000
Mr. Sudhin Choksey	3,30,000	—	—	3,30,000
Ms. Madhumita Ganguli	2,90,000	—	—	2,90,000
Mr. Subodh Salunke	4,50,000	—	—	4,50,000
Total	21,50,000	—	—	21,50,000
Overall Ceiling as per the Companies Act, 2013	1,00,000*	₹1.02 crore (1% of Net Profit)		₹1.02 crore (1% of Net Profit)**

* Per meeting sitting fees. The Company pays sitting fees per meeting to directors (other than Managing Directors) for attending the meeting of board or committee thereof as follows:

For Board Meeting - ₹ 30,000 per meeting

For Committee Meeting - ₹ 20,000 per meeting

** Excludes sitting fees

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

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount (₹)
		Company Secretary		Chief Financial Officer	
		Ms. Shivangi Dave (from April 1, 2016 to May 31, 2016) (₹)	Ms. Akanksha Kandoi (from June 24, 2016 to March 31, 2017) (₹)	Mr. Sebastian Fernandez (₹)	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	86,426	14,43,888	32,32,609	47,62,923
	(b) Value of perquisites under Section 17(2) Income-tax Act, 1961	—	—	—	—
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—	—	—
2	Stock Option	—	—	—	—
3	Sweat Equity	—	—	—	—
4	Commission	—	—	—	—
	- as % of profit	—	—	—	—
	- others, specify	—	—	—	—
5	Others, please specify	—	—	—	—
	Total	86,426	14,43,888	32,32,609	47,62,923

Annex to Directors' Report - 4 (Continued)**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES**

During the year, no penalties were levied against the Company, its directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its directors or any of its officers.



Annex to Directors' Report - 5

Report of the Directors on Corporate Governance

In India, changes in the corporate governance framework have been introduced through the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) which came into effect from December 1, 2015. The objective of the new listing regulation was to streamline the provisions of the listing agreements for different securities into a single consolidated framework and also align the Listing Regulations with the Companies Act, 2013. The Company's debentures are listed with the BSE Limited. Your directors remain committed towards upholding the highest standards of governance through transparency, accountability and integrity. They have taken cognizance of various regulatory changes in the overall governance framework and remain committed to imbibe the spirit of corporate governance.

The Company has complied with the applicable provisions of the Listing Regulations and listed below is the status with regards to the same.

Board Meetings

During the year under review, the Board of Directors met five times. The meetings were held on April 18, 2016, July 18, 2016, October 24, 2016, January 16, 2017 and March 10, 2017.

The attendance of each director at the above-mentioned board meetings along with the sitting fees paid to them are listed below:

Directors	Number of Meetings Attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	5	1,50,000
Mr. B. Mahapatra	5	1,50,000
Mr. Amitabh Chaudhry	4	1,20,000
Mr. Sudhin Choksey	5	1,50,000
Ms. Madhumita Ganguli	5	1,50,000
Mr. Subodh Salunke	5	1,50,000
Mr. Anil Bohora	5	—
Mr. Ajay Bohora	5	—

Leave of absence was granted to the concerned director who could not attend the respective meeting.

Audit Committee

The Audit Committee consists of a majority of independent directors. The members of the committee are Mr. Sudhin Choksey (Chairman), Mr. Amitabh Chaudhry, Mr. Biswamohan Mahapatra, Ms. Madhumita Ganguli and Mr. Subodh Salunke. All the members of the Audit Committee have accounting and financial management expertise. The quorum for the meeting of the committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the Audit Committee *inter alia* include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, financial statements, internal control systems and procedures, records relating to related party transactions, analysis of risks and compliance of regulatory guidelines. The committee also ensures that an information systems audit of the internal systems and processes is conducted to assess operational risks faced by the Company. The financial results are made available to the committee in advance. This enables the committee to review and discuss them with the auditors before recommending them to the Board of Directors for approval.

During the year, the committee met four times. The meetings were held on April 18, 2016, July 18, 2016, October 24, 2016, and January 16, 2017.



Annex to Directors' Report - 5 (Continued)

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. Sudhin Choksey (Chairman)	4	80,000
Mr. B. Mahapatra	4	80,000
Mr. Amitabh Chaudhry	3	60,000
Ms. Madhumita Ganguli	4	80,000
Mr. Subodh Salunke	4	80,000

Leave of absence was granted to the concerned member who could not attend the respective meeting.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of two independent directors. The members of the committee are Mr. Amitabh Chaudhry (Chairman), Mr. V. Srinivasa Rangan, Mr. Sudhin Choksey and Mr. Subodh Salunke. The quorum for the Nomination & Remuneration Committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the committee *inter alia* include identifying persons who are qualified to become directors of the Company, ensuring that such persons meet the relevant criteria prescribed under applicable laws and reviewing and approving the remuneration payable to the directors within the overall limits at the time of appointment, ensuring the fit and proper criteria at the time of appointment of directors of the Company and on a continuing basis, to scrutinize the declarations received from the proposed directors / existing directors and carry out evaluation of every director's performance and formulate the criteria for determining qualifications, positive attributes and independence of a director and for evaluating their performance. The Company has in place policies for Appointment of Directors and Remuneration to Directors and Members of Senior Management. The remuneration paid to the directors and members of senior management is in conformity with the said policy.

The committee met four times during the year. The meetings were held on April 18, 2016 and July 18, 2016, October 24, 2016 and March 10, 2017.

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. Amitabh Chaudhry (Chairman)	4	80,000
Mr. V. Srinivasa Rangan	4	80,000
Mr. Sudhin Choksey	4	80,000
Mr. Subodh Salunke	4	80,000

Corporate Social Responsibility Committee

In accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed thereunder, the Company has a Corporate Social Responsibility (CSR) Committee of Directors comprising of Mr. B. Mahapatra (Chairman), Mr. V. Srinivasa Rangan, Ms. Madhumita Ganguli and Mr. Ajay Bohora. The quorum for the CSR Committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the committee *inter alia* is to review the CSR policy, indicate activities to be undertaken by the Company towards CSR and formulate a transparent monitoring mechanism to ensure implementation of projects and activities undertaken by the Company towards CSR. Further details on the prescribed CSR spent under Section 135 of the Companies Act, 2013 and the amount committed and disbursed during the year under review are provided

Annex to Directors' Report - 5 (Continued)

in the Annual Report on CSR activities annexed to this report.

The committee met three times during the year. The meetings were held on April 18, 2016, October 24, 2016, January 16, 2017 and one resolution by circulation was passed on March 29, 2017.

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings attended	Sitting fees paid (₹)
Mr. B. Mahapatra (Chairman)	3	60,000
Mr. V. Srinivasa Rangan	3	60,000
Ms. Madhumita Ganguli	3	60,000
Mr. Ajay Bohora	3	—

Allotment Committee

The Allotment Committee of the Company comprises of Mr. V. Srinivasa Rangan (Chairman), Mr. Subodh Salunke and Mr. Anil Bohora. The quorum for the meeting of the committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the Allotment Committee *inter alia* include ensuring compliance with the Companies Act, 2013 and rules made thereunder relating to the issue and allotment of securities as may be issued by the Company from time to time and to oversee the process of application for issue of securities and decide on the allotment of securities.

During the year, the committee met five times. The meetings were held on June 28, 2016, August 12, 2016, October 27, 2016, February 27, 2017 and March 30, 2017.

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	80,000
Mr. Subodh Salunke	5	1,00,000
Mr. Anil Bohora	5	—

Leave of absence was granted to the concerned member who could not attend the respective meeting.

Asset Liability Management Committee

The Asset Liability Management Committee of the Company comprises of Mr. V. Srinivasa Rangan (Chairman), Mr. Ajay Bohora, Mr. Shridhar Hebbar, Mr. Sebastian Fernandez and Mr. Laxmikant Tople. The quorum for the Asset Liability Management Committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the committee *inter alia* include asset liability management of the Company. During the year, the committee met four times. The meetings were held on June 29, 2016, September 22, 2016, December 16, 2016 and March 30, 2017.

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	80,000
Mr. Ajay Bohora	3	—
Mr. Shridhar Hebbar	4	—
Mr. Sebastian Fernandez	4	—
Mr. Laxmikant Tople	4	—

Leave of absence was granted to the concerned members who could not attend the respective meeting.

Annex to Directors' Report - 5 (Continued)

Risk Management Committee

With the objective of ensuring that the risks impacting the business of the Company are identified and appropriate measures are taken to mitigate the same, the Company has formulated and adopted a risk management framework. The framework lays down the procedures for identification of risks, assessment of its impact on the business of the Company and the efficacy of the measures taken to mitigate the same. The risks are evaluated at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence. The regional managers and the functional heads of the Company are responsible for identifying, monitoring and reviewing the risk profile of their respective region/function on a quarterly basis, which is reviewed by the internal risk management committee. During the year, the internal risk management committee met twice. The committee is responsible to ensure that an appropriate methodology, processes and systems are in place to monitor, identify and review risks associated with the business of the Company. The committee met twice during the year under review, on October 24, 2016 and January 16, 2017.

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	2	40,000
Mr. Subodh Salunke	2	40,000
Mr. Ajay Bohora	2	40,000

Meeting of Independent Directors

The independent directors met once during the year to evaluate the directors of the Company, the chairman, the board as a whole and the committees thereof. The independent directors also assessed the quality, quantity and timeliness of the flow of information between the Company's management and the board which enables the board to effectively and reasonably perform its duties. The meeting was held on December 1, 2016. The details of the attendance of the independent directors along with sitting fees paid are listed below:

Independent Directors	Number of Meetings attended	Sitting fees paid (₹)
Mr. B. Mahapatra	1	20,000
Mr. Sudhin Choksey	1	20,000
Mr. Amitabh Chaudhry	1	20,000

Board Evaluation

With the objective of enhancing the effectiveness of the board, the Nomination & Remuneration Committee has formulated the methodology and criteria to evaluate the performance of the board, committees thereof and each director. SEBI had released a Guidance Note dated January 5, 2017 on the evaluation of the Board of Directors of the listed companies ("Guidance Note"). The Nomination & Remuneration Committee and the Board of Directors of the Company adopted the revised criteria on performance evaluation of the Independent Directors, Non-Executive Directors, Managing Directors, Chairman, the Board and its Committees as a whole, based on the said Guidance Note.

The Nomination & Remuneration Committee sought feedback from the directors through structured questionnaires. Mr. Amitabh Chaudhry, independent director and the Chairman of the Nomination & Remuneration Committee evaluated the feedback and communicated the outcome of the evaluation to the Chairman of the Board and the Nomination & Remuneration Committee. The independent directors also reviewed the performance of the non-executive directors, the Chairman and the board as a whole.

Secretarial Audit Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

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

To,
The Members,
HDFC Credila Financial Services Private Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HDFC Credila Financial Services Private Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company as specified in Annexure I and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the period covered by our audit, that is to say, from April 01, 2016 to March 31, 2017 (hereinafter referred to as "Audit Period"), 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 March 31, 2017, 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;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- v. Laws specifically applicable to an NBFC-ND-SI, as identified by the management, that is to say:
 - a. The Reserve Bank of India Act, 1934;
 - b. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016; ('Directions, 2016');
 - c. Miscellaneous Instructions to all Non-Banking Financial Companies;
 - d. Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016;
 - e. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016;

f. Master Direction - Monitoring of frauds in NBFCs (Reserve bank) Directions, 2016;

g. Master Direction - Know Your Customer (KYC) Directions, 2016;

h. Master Direction - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;

i. The Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015.

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

i. Secretarial Standards 1 and 2 issued by the Institute of Company Secretaries of India;

ii. The Listing Agreement entered into by the Company with the BSE Limited for listing its debt securities issued on private placement basis.

We report that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

Management Responsibility:

i. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit;

ii. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on

Secretarial Audit Report (Continued)

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;

iii. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company;

iv. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulation and happening of events etc;

v. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis;

vi. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. During the period under review, there were no changes in the composition of the Board of Directors.

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.

Resolutions have been approved by majority while the dissenting members', if any, views are captured and recorded as part of the minutes.

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

We further report that during the Audit Period, the Company has not incurred any specific event/ action listed below that can have a major bearing on the company's affairs in pursuance of the above referred

laws, rules, regulations, guidelines, standards, etc., except as follows:

i. Rights Issue of Equity Share:

During the Audit Period, the Company has allotted –

1. 20 lakhs equity shares of face value INR 10 and premium of INR 40 per share to Housing Development Finance Corporation Limited, by way of rights issue. Mr. Ajay Bohora and Mr. Anil Bohora rejected the shares offered to them.

2. 50 lakhs equity shares of face value INR 10 and premium of INR 80 per share to Housing Development Finance Corporation Limited, by way of rights issue. Mr. Ajay Bohora and Mr. Anil Bohora rejected the shares offered to them.

ii. Private Placement of Non Convertible Debentures:

Date of Issue	Subscriber to the issue	Amount (INR in crore)	Nature & Terms of security
28.06.2016 (NCDs)	1. HDFC Bank Limited	200	Minimum asset cover - 1.05 times of the principal outstanding and interest accrued but not paid.
27.10.2016 (NCDs)	2. Edelweiss Finance Investments Ltd 3. ICICI Prudential Mutual Fund, ICICI prudential Balanced Advantage Fund 4 SBI Mutual Fund, SBI Magnum Income Fund 5. SBI Mutual Fund, SBI Regular Saving Fund 6. SBI Mutual Fund, SBI Magnum Monthly Income plan	300	Minimum asset cover - 1.05 times of the principal outstanding and interest accrued but not paid.
27.02.2017 (NCD)	7. SBI Mutual Fund, SBI Magnum Income Fund 8. SBI Mutual Fund, SBI Magnum Balanced Fund 9 SBI Mutual Fund, SBI Magnum Monthly Income Plan	200	Minimum asset cover - 1.05 times of the principal outstanding and interest accrued but not paid.
	TOTAL	700	

Secretarial Audit Report (Continued)

iii. Increase in Borrowing limit to ₹ 7,000 crores: 2013, to the extent of ₹ 7,000 crore (Rupees Seven Thousand Crore).

During the Audit Period, special resolution was passed at the Extraordinary General Meeting held on 16th January, 2017 to affirm the borrowing powers of the Company, in terms of section 180 (1) (c) of the Act,

For **Vinod Kothari & Company**
Practising Company Secretaries

Vinita Nair
Partner

Mumbai
April 13, 2017

Membership No.: A31669
C P No.:11902

ANNEXURE I
LIST OF DOCUMENTS

1. Corporate Matters
- 1.1 Minutes books of the following Committees were provided:
 - 1.1.1 Board Meeting;
 - 1.1.2 Audit Committee;
 - 1.1.3 Nomination and Remuneration Committee;
 - 1.1.4 Corporate Social Responsibility Committee;
 - 1.1.5 Risk Management Committee;
 - 1.1.6 Asset Liability Management Committee;
 - 1.1.7 General Meetings;
- 1.2 Agenda papers for Board Meeting and Committee(s) along with Notice;
- 1.3 Annual Report 2016;
- 1.4 Disclosures under Act, 2013 and Rules made thereunder;
- 1.5 Policies framed under Act, 2013 and RBI regulations for NBFCs;
- 1.6 Documents pertaining to Listing Regulations;
- 1.7 Forms and returns filed with the ROC & RBI;
- 1.8 Documents under SEBI (Prohibition of Insider Trading) Regulations, 2015;
- 1.9 Documents relating to issue of Non-Convertible Debentures and Rights Issue;
- 1.10 Returns filed with IRDAI.

Independent Auditors' Report

TO THE MEMBERS OF HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED (formerly known as CREDILA FINANCIAL SERVICES PVT. LTD)

Report on the Financial Statements

We have audited the accompanying financial statements of **HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED** (the "Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the 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 the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act.

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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.

In conducting 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 of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 the 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 obtained by us 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 aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act.

Independent Auditors' Report (Continued)

e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

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, as amended,

in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position.

ii. The Company did not have any long-term contracts including derivative contracts as at year end for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016. Based on

audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No.117365W)

G. K. Subramaniam
Partner
MUMBAI, April 18, 2017 (Membership No. 109839)

Annexure "A" to the Independent Auditors' Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Act.

We have audited the internal financial controls over financial reporting of **HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED** ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and

maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") 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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting

records and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Companies Act 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial

Annexure “A” to the Independent Auditors’ Report (Continued)

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 Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error

or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm’s Registration No.117365W)

MUMBAI, April 18, 2017
G. K. Subramaniam
Partner
(Membership No. 109839)



Annexure “B” to the Independent Auditors’ Report

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

(i) (a) To the best of our knowledge and according to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause 3(i)(c) of the Order is not applicable.

(ii) The Company does not have any inventory and hence reporting under clause 3(ii) of the Order is not applicable.

(iii) To the best of our knowledge and 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 Act.

(iv) To the best of our knowledge and according to the information and explanations given to us, the Company has not granted any loans, made investments or provide guarantees under the provisions of Sections 185 and 186 of the Act and hence reporting under clause 3(iv) of the Order is not applicable.

(v) To the best of our knowledge and according to the information and explanations given to us, the Company has not accepted any deposit during the year and no order in this respect has been passed by the Company

Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunals. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Act.

(vi) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, in respect of the services rendered by the Company.

(vii) To the best of our knowledge and according to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Income-tax, Service Tax, cess, Provident Fund and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Service Tax, cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

(c) There are no dues of Income-tax and Service Tax and Cess as on March 31, 2017 on account of disputes.

(viii) To the best of our knowledge and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and dues to debenture holders.

(ix) To the best of our knowledge and according to the information and explanations given to us, the money raised by way of the term loans and debentures have been applied by the Company during the year for the purposes for which they were raised other than temporary deployment pending application of proceeds. The Company has not raised moneys by way of initial public offer/ further public offer (including debt instruments).

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) To the best of our knowledge and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.

(xiii) To the best of our knowledge and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.

(xv) To the best of our knowledge and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Act are not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm’s Registration No.117365W)

G. K. Subramaniam

MUMBAI,

Partner

April 18, 2017

(Membership No. 109839)



Twelfth Annual Report 2016-17

Balance Sheet as at March 31, 2017

Particulars	Note No.	As at March 31, 2017 ₹	As at March 31, 2016 ₹
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	1,27,74,19,590	1,20,74,19,590
(b) Reserves and surplus	4	1,91,51,80,319	78,93,89,219
		<u>3,19,25,99,909</u>	<u>1,99,68,08,809</u>
(2) Non-current liabilities			
(a) Long-term borrowings	5	21,72,52,27,249	16,55,47,29,351
(b) Long-term provisions	6	12,51,79,164	8,05,59,582
(c) Other long term liabilities	7	34,05,729	17,54,366
		<u>21,85,38,12,142</u>	<u>16,63,70,43,299</u>
(3) Current liabilities			
(a) Short-term borrowings	8	2,72,01,42,355	4,17,57,66,900
(b) Trade payables			
(i) Total outstanding dues of Micro Enterprises & Small Enterprises		—	—
(ii) Total outstanding dues other than Micro Enterprises & Small Enterprises	9	6,82,38,619	4,96,28,611
(c) Other current liabilities	10	5,60,80,87,936	1,99,72,51,072
(d) Short-term provisions	11	55,83,638	28,37,047
		<u>8,40,20,52,548</u>	<u>6,22,54,83,630</u>
Total		<u><u>33,44,84,64,599</u></u>	<u><u>24,85,93,35,738</u></u>
II. ASSETS			
(1) Non-current assets			
(a) Property, Plant and Equipment	12		
(i) Tangible assets		1,85,19,335	10,987,535
(ii) Intangible assets		11,52,750	4,53,661
(iii) Capital work in progress		3,81,562	—
		<u>2,00,53,647</u>	<u>1,14,41,196</u>
(b) Deferred tax assets (net)	13	4,65,00,000	3,10,00,000
(c) Long-term loans and advances	14	31,23,82,14,304	23,10,08,43,315
		<u>31,30,47,67,951</u>	<u>23,14,32,84,511</u>
(2) Current assets			
(a) Trade Receivables	15	19,67,782	34,91,206
(b) Cash and Bank Balances	16	11,48,35,019	5,80,89,684
(c) Short-term loans and advances	17	1,91,60,12,150	1,55,80,18,761
(d) Other current assets	18	11,08,81,697	9,64,51,576
		<u>2,14,36,96,648</u>	<u>1,71,60,51,227</u>
Total		<u><u>33,44,84,64,599</u></u>	<u><u>24,85,93,35,738</u></u>

See accompanying notes forming part of the financial statements 1 to 36

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

G. K. Subramaniam
Partner

Mumbai
April 18, 2017

Directors

V.S. Rangan
Chairman
(DIN - 00030248)

Subodh Salunke
Director
(DIN - 03053815)

Sebastian Fernandez
Chief Financial Officer
(FCA: 112793)

Anil Bohora
Managing Director
(DIN - 00694396)

Biswamohan Mahapatra
Director
(DIN - 06990345)

Akanksha Kandoi
Company Secretary
(FCS: 6883)

Ajay Bohora
Managing Director & CEO
(DIN - 00694444)

Amitabh Chaudhry
Director
(DIN - 00531120)

Madhumita Ganguli
Director
(DIN - 00676830)

Sudhin Choksey
Director
(DIN - 00036085)

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

Particulars	Note No.	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
I. Revenue from operations	19	3,91,73,77,725	3,00,54,51,835
II. Other Income	20	6,92,097	—
III. Total Revenue (I+II)		3,91,80,69,822	3,00,54,51,835
IV. Expenses:			
(a) Employee benefits expense	21	21,86,20,496	17,48,34,357
(b) Finance costs	22	2,37,24,40,310	1,87,98,05,319
(c) Depreciation and amortisation expenses	12	45,16,621	36,92,934
(d) Other expenses	23	28,12,09,938	22,38,51,666
(e) Provisions for non-performing assets	28.2	23,04,596	36,49,468
(f) Contingent provisions against standard assets	6.1	4,20,53,659	3,09,74,967
Total expenses		2,92,11,45,620	2,31,68,08,711
V. Profit before tax (III-IV)		99,69,24,202	68,86,43,124
VI. Tax expense:			
(a) Current tax		35,82,00,000	25,10,00,000
(b) Deferred tax	13	(1,55,00,000)	(1,30,00,000)
(c) Excess provisions for tax relating to prior years		(5,22,967)	—
		34,21,77,033	23,80,00,000
VII. Profit for the year (V-VI)		65,47,47,169	45,06,43,124
VIII. Earnings per share (of ₹ 10 each):	26		
(a) Basic		11.89	8.38
(b) Diluted		5.95	4.14
See accompanying notes to the financial statements	1 to 36		

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants**G. K. Subramaniam**
PartnerMumbai
April 18, 2017

Directors

V.S. Rangan
Chairman
(DIN - 00030248)**Subodh Salunke**
Director
(DIN - 03053815)**Sebastian Fernandez**
Chief Financial Officer
(FCA: 112793)**Anil Bohora**
Managing Director
(DIN - 00694396)**Biswamohan Mahapatra**
Director
(DIN - 06990345)**Akanksha Kandoi**
Company Secretary
(FCS: 6883)**Ajay Bohora**
Managing Director & CEO
(DIN - 00694444)**Amitabh Chaudhry**
Director
(DIN - 00531120)**Madhumita Ganguli**
Director
(DIN - 00676830)**Sudhin Choksey**
Director
(DIN - 00036085)

Cash Flow Statement for the year ended March 31, 2017

Particulars	For the year ended March 31, 2017 ₹	For the year ended March 31, 2016 ₹
A. Cash flow from operating activities		
Profit Before Taxation	99,69,24,202	68,86,43,124
<i>Adjustments for :</i>		
Depreciation/Amortisation	45,16,621	36,92,934
(Profit)/Loss on Property, Plant and Equipment discarded	(500)	17,632
Education Loans written off	—	90,000
Interest Expense	2,36,45,90,404	1,86,11,73,804
Interest Income	(3,65,14,03,289)	(2,79,27,65,664)
Provisions for Non-Performing Assets	23,04,596	36,49,468
Contingent Provisions against Standard Assets	4,20,53,659	3,09,74,967
Dividend Income from Current Non-Trade Investments	(39,59,445)	(37,94,168)
Provision for employee benefits	53,86,857	13,27,644
Rent Deposit written off	—	—
Liability Written Off	—	(2,96,852)
Share issue expenses	—	—
Interest on Income Tax refund	(6,91,597)	—
	<u>(1,23,72,02,694)</u>	<u>(89,59,30,235)</u>
Operating profit before working capital changes	(24,02,78,492)	(20,72,87,111)
<i>Adjustments for :</i>		
Adjustments for (increase) / decrease in operating assets:		
Current and Non-Current Assets	(8,49,83,24,353)	(7,47,32,63,499)
Adjustments for increase / (decrease) in operating liabilities:		
Current and Non-Current Liabilities	1,58,76,164	3,38,89,007
Cash Used in Operations	(8,72,27,26,681)	(7,64,66,61,603)
Interest received	3,63,69,73,168	2,77,40,89,277
Interest paid	(2,13,69,48,040)	(1,66,79,05,557)
Income tax paid	(35,38,75,339)	(25,15,04,058)
Income tax refund	25,80,838	—
Net Cash Used in Operating Activities (A)	(7,57,39,96,054)	(6,79,19,81,941)
B. Cash flow from investing activities		
Purchase of Property, Plant and Equipment	(1,31,29,073)	(61,55,550)
Sale of Property, Plant and Equipment	500	11,680
Purchase of current investments	(4,91,00,00,000)	(71,00,00,000)
Sale of current investments	4,91,39,59,445	71,37,94,168
Interest on Income Tax refund	6,91,597	—
Bank balances not considered as Cash and cash equivalents [Deposit with original maturity of more than 3 months]		
— Placed	(1,30,00,000)	(1,30,00,000)
— Matured	1,30,00,000	1,30,00,000
Net Cash Used in Investing Activities (B)	(84,77,531)	(23,49,702)

Cash Flow Statement for the year ended March 31, 2017 (Continued)

Particulars	For the year ended March 31, 2017 ₹	For the year ended March 31, 2016 ₹
C. Cash flow from financing activities		
Short Term Borrowings [Net]	(1,45,56,24,545)	2,19,76,84,945
Long Term Borrowings		
– Taken during the year	11,11,00,00,000	8,32,00,00,000
– Repaid during the year	(2,55,19,22,395)	(3,74,67,51,317)
Proceeds from Issue of Equity Shares	55,00,00,000	—
Share issue expenses	(10,25,000)	—
Non-Convertible Debenture issue expenses	(1,21,28,500)	
Dividend on Compulsorily Convertible Preference Shares	(80,640)	(80,396)
Net Cash From Financing Activities (C)	7,63,92,18,920	6,77,08,53,232
Net Increase/(Decrease) in Cash and cash equivalents (A + B + C)	5,67,45,335	(2,34,78,411)
Cash and cash equivalents at the beginning of the year	4,50,89,684	6,85,68,095
Cash and cash equivalents at the end of the year	10,18,35,019	4,50,89,684
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and Bank balance as per Balance Sheet [Refer Note 16]	11,48,35,019	5,80,89,684
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements [Deposits with original maturity of more than 3 months]	1,30,00,000	1,30,00,000
Cash and cash equivalents at the end of the year [as defined in AS 3 Cash Flow Statements] included in Note 16	10,18,35,019	4,50,89,684

See accompanying notes forming part of the financial statements

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants**G. K. Subramaniam**
PartnerMumbai
April 18, 2017

Directors

V.S. Rangan
Chairman
(DIN - 00030248)**Subodh Salunke**
Director
(DIN - 03053815)**Sebastian Fernandez**
Chief Financial Officer
(FCA: 112793)**Anil Bohora**
Managing Director
(DIN - 00694396)**Biswamohan Mahapatra**
Director
(DIN - 06990345)**Akanksha Kandoi**
Company Secretary
(FCS: 6883)**Ajay Bohora**
Managing Director & CEO
(DIN - 00694444)**Amitabh Chaudhry**
Director
(DIN - 00531120)**Madhumita Ganguli**
Director
(DIN - 00676830)**Sudhin Choksey**
Director
(DIN - 00036085)

Notes forming part of the financial statements

1. CORPORATE INFORMATION

HDFC Credila Financial Services Private Limited (formerly known as Credila Financial Services Private Limited) (the "Company") is engaged in the business of originating, funding and servicing loans for the education of Indian students in India and Overseas and in providing ancillary services related to the said business activities. With effect from July 09, 2010, the Company became subsidiary of Housing Development Finance Corporation Limited ("HDFC"/ the "Holding Company"). The Company is Systemically Important Non-deposit taking Non-Banking Financial Company ("NBFC").

Pursuant to Section 13 and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the name of the Company has been changed from "Credila Financial Services Private Limited" to "HDFC Credila Financial Services Private Limited" w.e.f. February 19, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Accounting and Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, rules thereunder and the relevant provisions of the Companies Act, 2013 (the "Act"), as applicable, so far as these are not inconsistent with Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India (RBI). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for issue expenses of certain securities which are charged to the securities premium account (Refer Note 4.2).

Current assets do not include elements which are not expected to be realised within one year and current liabilities do not include items which are due after one year.

(ii) Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

(iii) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost of acquisition less accumulated depreciation / amortisation and impairment loss, if any. Cost comprises of purchase / acquisition price, non-refundable taxes, duties, freight and directly attributed cost of bringing the assets to its working condition for its intended use.

The cost of internally generated software comprises all expenditure that can be directly attributed or allocated on a reasonable and consistent basis to create the software for its intended use.

Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, is recognised.



Notes forming part of the financial statements (Continued)

Capital work-in-progress includes assets not ready for the intended use and are carried at cost, comprising direct cost and related incidental expenses.

(iv) Depreciation/Amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

(a) Tangible Assets

Depreciation on tangible assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of Computers and data processing equipment which are depreciated over 4 years in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.

(b) Intangible Assets

Intangible assets are amortised over their estimated useful life as follows:

Softwares are amortised over the period of five years on straight line method.

(c) All capital assets with individual value less than ₹ 1,000 are depreciated fully in the year in which they are purchased.

(v) Revenue Recognition

(a) Interest on Education Loans

Income on loan transactions is accounted for by using the internal rate of return method. Consequently, a constant rate of return on net outstanding amount is accrued over the period of the contract, except that no income is recognized on non-performing assets as per the prudential norms for income recognition issued by the prudential norms of RBI.

Repayment of education loans is generally by way of Equated Monthly Installments (EMIs) comprising principal and interest. EMIs commences once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed on a monthly rest basis.

(b) Interest on Deposits

Interest on Deposits is recognised on accrual basis.

(c) Front End Origination Fees

Front end origination fees on loans is collected towards processing of loan and documentation charges. This is recognised as income when the amount become due and there is no uncertainty in realisation.

(d) Commission Income

Income from Commission includes [i] fees received from the Authorised Dealers on referral of foreign exchange and travel insurance business, [ii] income on sourcing of home loan and fixed deposits to Holding Company. The Company recognise commission income in accordance with the terms of the relevant agreement.



Notes forming part of the financial statements (Continued)

- (e) Dividend Income is accounted as and when right to receive dividend is established.
- (f) Other fees represents documentation charges, cheque bouncing charges, penal interest charges and other fees is recognised as income when the amount become due and there is no uncertainty in realisation.

(vi) Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried individually, at the lower of cost and fair value.

Cost of investments include acquisition charges such as brokerage, fees and duties.

(vii) Foreign Currency Transactions and Translations

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions. Foreign currency monetary items as at the Balance Sheet date are restated at the year end rates. Exchange differences arising on realisation and year end restatements are recognised as income or expense in the Statement of Profit and Loss.

(viii) Borrowing Cost

The Company borrows funds, primarily in Indian Rupees, and carry a fixed rate or floating rate of interest. Borrowing costs include interest, amortisation of ancillary costs incurred in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss. Issue expenses of certain securities are charged to the securities premium account.

(ix) Employee Benefits

(a) Provident Fund

The Company's contribution paid/payable during the year towards Provident Fund are charged to Statement of Profit and Loss every year.

(b) Gratuity and Compensated Absences

The Company's liability towards gratuity and compensated absences is determined on the basis of actuarial valuation done by an independent actuary. The actuarial gains and losses determined by the actuary are recognised immediately in the Statement of Profit and Loss as an income or expense.

(x) Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

(xi) Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted



Notes forming part of the financial statements (Continued)

as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set-off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

(xii) Cash and Cash Equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(xiii) Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

(xiv) Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Dilutive potential equity shares are determined independently for each period presented.

(xv) Provisions for Non-Performing Assets ("NPAs")

Loans are initially recorded at the disbursed principal amounts and are subsequently adjusted for recoveries and any unearned income. Loans are carried net of the allowances for credit losses.

A loan is recognized as non-performing ("NPA") at the earlier of the date it has been individually provided for when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest and a loan where the repayment installment or interest has been in arrears for 90 days.

The provision on Standard and Non-Performing Loans is made as per the prudential norms prescribed in



Notes forming part of the financial statements (Continued)

the guidelines issue by RBI as amended. Additional provisions (over and above the prudential norms) if required is made as per the Guidelines approved by the Board of Directors from time to time.

Provisions are established on a collective basis against loan assets classified as “Standard” to absorb credit losses on the aggregate exposures in each of the Company’s loan portfolios based on the RBI directions.

(xvi) Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

(xvii) Share issue expenses

Share issue expenses are adjusted against the Securities Premium Account as permissible under Section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the Securities Premium Account. Share issue expenses in excess of the balance in the Securities Premium Account is expensed in the Statement of Profit and Loss.

(xix) Service Tax Input Credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

(xx) Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

3. SHARE CAPITAL

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number of shares	₹	Number of shares	₹
Authorised				
Equity Shares of ₹ 10 each	7,00,00,000	70,00,00,000	6,50,00,000	65,00,00,000
Compulsorily Convertible Preference Shares (“CCPS”) of ₹10 each	8,50,00,000	85,00,00,000	8,50,00,000	85,00,00,000
Total	15,50,00,000	1,55,00,00,000	15,00,00,000	1,50,00,00,000
Issued, Subscribed and Fully Paid up				
Equity Shares of ₹ 10 each	6,07,42,003	60,74,20,030	5,37,42,003	53,74,20,030
Compulsorily Convertible Preference Shares of ₹ 10 each fully paid up	6,69,99,956	66,99,99,560	6,69,99,956	66,99,99,560
Total	12,77,41,959	1,27,74,19,590	12,07,41,959	1,20,74,19,590

Notes forming part of the financial statements (Continued)**3.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year:**

Particulars	Equity Shares			
	As at March 31, 2017		As at March 31, 2016	
	Number of shares	₹	Number of shares	₹
Shares outstanding at the beginning of the year	5,37,42,003	53,74,20,030	5,37,42,003	53,74,20,030
Rights Shares issued during the year	70,00,000	7,00,00,000	—	—
Shares outstanding at the end of the year	6,07,42,003	60,74,20,030	5,37,42,003	53,74,20,030

Particulars	Compulsorily Convertible Preference Shares			
	As at March 31, 2017		As at March 31, 2016	
	Number of shares	₹	Number of shares	₹
Shares outstanding at the beginning of the year	6,69,99,956	66,99,99,560	6,69,99,956	66,99,99,560
Shares outstanding at the end of the year	6,69,99,956	66,99,99,560	6,69,99,956	66,99,99,560

3.2 a) The rights, preferences and restrictions attached to Preference Shares including restrictions on distribution of dividends and the repayment of capital and terms of conversion into Equity Shares**Dividend terms:**

Dividend per annum on Compulsorily Convertible Preference Shares shall be equivalent to 0.01 % on the subscription amount on a preferential basis, subject to the availability of distributable profits.

Terms of Conversion of Compulsorily Convertible Preference Shares :— **20,00,000 Compulsorily Convertible Preference Shares - Round IX (CCPS-IX) of ₹ 10 each**

CCPS-IX of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 10 each with a final conversion price of ₹ 20 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. March 28, 2014.

— **99,99,984 Compulsorily Convertible Preference Shares - Round IV (CCPS-IV) of ₹ 10 each**

49,99,992 CCPS-IV of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 2 each with a final conversion price of ₹ 12 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. February 27, 2012 and balance 49,99,992 CCPS-IV of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 2 each with a final conversion price of ₹ 12 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS into CCPS i.e. September 2, 2013.

— **1,49,99,992 Compulsorily Convertible Preference Shares- Round III (CCPS-III) of ₹ 10 each**

CCPS-III of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium

Notes forming part of the financial statements (Continued)

of ₹ 2 each with a final conversion price of ₹ 12 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS in to CCPS i.e. September 2, 2013.

— **90,00,000 Compulsorily Convertible Preference Shares – Round II (CCPS-II) of ₹ 10 each**

CCPS-II of ₹ 10 each shall be converted into Equity Shares at price of ₹ 10 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS in to CCPS i.e. September 2, 2013.

— **60,00,000 Compulsorily Convertible Preference Shares – Round I (CCPS-I) of ₹ 10 each**

CCPS-I of ₹ 10 each shall be converted into Equity Shares at a price of ₹ 10 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS in to CCPS i.e. September 2, 2013.

— **50,00,000 Compulsorily Convertible Preference Shares - Round VIII (CCPS-VIII) of ₹ 10 each**

CCPS-VIII of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 8 each with a final conversion price of ₹ 18 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. August 30, 2013.

— **49,99,995 Compulsorily Convertible Preference Shares - Round VII (CCPS-VII) of ₹ 10 each**

CCPS-VII of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 3 each with a final conversion price of ₹ 13 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. August 13, 2012.

— **99,99,990 Compulsorily Convertible Preference Shares - Round VI (CCPS-VI) of ₹ 10 each**

CCPS-VI of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 3 each with a final conversion price of ₹ 13 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. July 6, 2012.

— **49,99,995 Compulsorily Convertible Preference Shares- Round V (CCPS-V) of ₹ 10 each**

CCPS-V of ₹ 10 each shall be converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 3 each with a final conversion price of ₹ 13 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. April 30, 2012.

b) The rights, preferences and restrictions attached to equity shares including restrictions of distribution of dividends and the repayment of capital

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Also each shareholder has right to receive dividend as and when declared by the Company. 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, the holder of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the Shareholders.

Notes forming part of the financial statements (Continued)**3.3 Details of the shares held by each shareholder holding more than 5% shares/the holding company:**

a)	Particulars	Equity Shares			
		As at March 31, 2017		As at March 31, 2016	
		Number of shares held	% Holding	Number of shares held	% Holding
	Housing Development Finance Corporation Limited - Holding Company	4,92,72,003	81.12%	4,22,72,003	78.66%
	Mr. Anil Bohora	57,35,000	9.44%	57,35,000	10.67%
	Mr. Ajay Bohora	57,35,000	9.44%	57,35,000	10.67%
	Total	6,07,42,003	100%	5,37,42,003	100%

b)	Particulars	Compulsorily Convertible Preference Shares			
		As at March 31, 2017		As at March 31, 2016	
		Number of shares held	% Holding	Number of shares held	% Holding
	Housing Development Finance Corporation Limited - Holding Company	6,69,99,956	100%	6,69,99,956	100%

4. RESERVES AND SURPLUS

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
(a) Securities Premium		
Opening Balance	9,69,59,966	9,69,59,966
Add : Premium received on equity shares issued during the year	48,00,00,000	—
Less : Utilised during the year for the equity shares issue expenses [Refer Note 4.1]	10,25,000	—
Less : Utilised during the year for Non - Convertible Debentures issue expenses (Net of tax ₹ 41,97,431) [Refer Note 4.2]	79,31,069	—
	<u>56,80,03,897</u>	<u>9,69,59,966</u>
(b) Special Reserve [under section 45-IC (1) of the Reserve Bank of India Act, 1934]		
Opening Balance	20,22,10,000	11,20,80,000
Add: Transfer from the Statement of Profit and Loss	13,09,49,000	9,01,30,000
	<u>33,31,59,000</u>	<u>20,22,10,000</u>
(c) Surplus in Statement of Profit and Loss		
Opening Balance	49,02,19,253	12,97,86,769
Add: Profit for the year	65,47,47,169	45,06,43,124
	<u>1,14,49,66,422</u>	<u>58,04,29,893</u>
Less: Appropriations during the year	—	—
Transfer to Special Reserve [under section 45-IC (1) of the Reserve Bank of India Act, 1934]	13,09,49,000	9,01,30,000
Dividend on Compulsorily Convertible Preference Shares	—	67,000
Dividend Distribution Tax	—	13,640
	<u>1,01,40,17,422</u>	<u>49,02,19,253</u>
Total	<u><u>1,91,51,80,319</u></u>	<u><u>78,93,89,219</u></u>

Notes forming part of the financial statements (Continued)

- 4.1 During the year, the Company utilised ₹ 10,25,000 (Previous Year ₹ Nil) in accordance with section 52 of the Companies Act 2013, towards issue expenses in respect of Equity Shares.
- 4.2 During the year, the Company has changed its accounting policy in relation to expenses incurred for the issue of certain securities. Hitherto, these expenses were charged to income statement, from April 1, 2016, for better presentation of accounts and alignment with holding company these expenses are charged to the securities premium account. As a result, the Company has utilised ₹ 1,21,28,500 (Previous Year Nil) (Net of Tax ₹ 79,31,069) in accordance with section 52 of the Companies Act 2013, towards issue expenses in respect of Non-Convertible Debentures and consequently the charge on the income statement is lower by the aforesaid amount.
- 4.3 The Board of Directors have proposed dividend on Compulsory Convertible preference shares @ 0.01% at their meeting held on April 18, 2017. As per Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in Annual General Meeting.

5. LONG-TERM BORROWINGS

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Debentures [All are Privately Placed Non-Convertible Debentures]		
— Secured [Refer Note 5.1]		
Non-Convertible Debentures	9,00,00,00,000	4,00,00,00,000
— Unsecured [Refer Note 5.1]		
Non-Convertible Subordinated Debentures	1,00,00,00,000	1,00,00,00,000
Non-Convertible Perpetual Debt Instruments	1,50,00,00,000	1,50,00,00,000
	<u>11,50,00,00,000</u>	<u>6,50,00,00,000</u>
Term loans from banks		
— Secured [Refer Note 5.2]	10,22,52,27,249	10,05,47,29,351
Total	<u>21,72,52,27,249</u>	<u>16,55,47,29,351</u>

5.1 Terms of redemption of debentures :

(a) Debentures — Secured

Maturities -	< 1 year	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
8.00% - 9.00%	2,00,00,00,000	4,00,00,00,000	5,00,00,00,000	—	11,00,00,00,000
Previous Year (8.99% - 9.00%)	—	(4,00,00,00,000)	—	—	(4,00,00,00,000)
Total	2,00,00,00,000	4,00,00,00,000	5,00,00,00,000	—	11,00,00,00,000
Previous Year	—	(4,00,00,00,000)	—	—	(4,00,00,00,000)

(b) Debentures - Unsecured

Maturities -	< 1 year	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
09.30% - 11.99%	—	—	—	2,50,00,00,000	2,50,00,00,000
Previous Year (09.30% - 11.99%)	—	—	—	(2,50,00,00,000)	(2,50,00,00,000)
Total	—	—	—	2,50,00,00,000	2,50,00,00,000
Previous Year	—	—	—	(2,50,00,00,000)	(2,50,00,00,000)

Notes forming part of the financial statements (Continued)

- (c) During the year, the Company raised ₹ 700,00,00,000 (Previous Year ₹ 400,00,00,000) through issue of Long Term, Secured, Non Convertible Debentures. All these Non Convertible Debentures are secured by *pari passu* charge by way of hypothecation of education loan receivables of the Company's underlying portfolio of education loans and related collaterals.
- (d) As on March 31, 2017 the Company's outstanding subordinated debt is ₹ 100,00,00,000 (Previous Year ₹ 100,00,00,000). These debentures are subordinated to present and future senior indebtedness of the Company and qualify as Tier II Capital under Reserve Bank of India guidelines for assessing capital adequacy. Based on balance term to maturity as on March 31, 2017, 100% (Previous Year 100%) of the book value of the Subordinated Debt is considered as Tier II Capital for the purpose of the Capital Adequacy Computation.
- (e) During the year, the Company raised ₹ Nil (Previous Year ₹ 50,00,00,000) through issue of Perpetual Debt Instruments. ₹ 29,48,03,272 (Previous Year ₹ 22,91,64,153) of Perpetual Debt Instrument qualifies as Tier I Capital under RBI guidelines.

5.2 Repayment Terms of Term Loans:

a) Term Loans – Secured

Maturities -	≤ 1 year	1-3 years	3-5 years	> 5 years	TOTAL
From Scheduled Banks					
Rates of Interest					
08.00% - 09.95%	3,05,25,39,707	5,38,00,79,413	3,91,29,68,308	93,21,79,528	13,27,77,66,956
Previous Year (10.00% - 10.75%)	(1,66,49,60,000)	(4,64,84,48,571)	(3,73,70,05,714)	(2,18,88,26,383)	(12,23,92,40,668)
Total	3,05,25,39,707	5,38,00,79,413	3,91,29,68,308	93,21,79,528	13,27,77,66,956
Previous Year	(1,66,49,60,000)	(4,64,84,48,571)	(3,73,70,05,714)	(2,18,88,26,383)	(12,23,92,40,668)

- b) All term loans from banks are secured by *pari passu* charge by way of hypothecation of education loan receivables of the Company's underlying portfolio of education loans and related collaterals.

6. LONG-TERM PROVISIONS

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Provision for employee benefits		
— Gratuity [Refer Note 21.2 (ii)]	92,28,062	66,62,139
	92,28,062	66,62,139
Others		
— Contingent provisions against standard assets [Refer Note 6.1 & 6.2]	11,59,51,102	7,38,97,443
	11,59,51,102	7,38,97,443
Total	12,51,79,164	8,05,59,582

6.1 Contingent Provisions against standard assets

	FY 2016-17	FY 2015-16
Opening Provision	7,38,97,443	4,29,22,476
Additional Provision	4,20,53,659	3,09,74,967
Closing Provision	11,59,51,102	7,38,97,443

Notes forming part of the financial statements (Continued)

- 6.2 The Company has made an additional standard asset provision of ₹ **1,65,72,066** (Previous Year ₹ 1,23,16,240) for year ended March 31, 2017. As specified in RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, the company has made provision @ 0.35% of the standard assets as compared to the provision made @ 0.30% of the standard assets during last year.

7. OTHER LONG-TERM LIABILITIES	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Instalments on education loans received in advance [Including interest received in advance]	33,90,632	17,49,514
Lease equalisation [Refer Note 23.3]	15,097	4,852
Total	34,05,729	17,54,366

8. SHORT-TERM BORROWINGS	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Other Loans and Advances		
— Commercial papers - Unsecured [Unexpired Discount ₹ 2,98,57,645 (Previous Year: ₹ 7,42,33,100)]	2,72,01,42,355	4,17,57,66,900
Total	2,72,01,42,355	4,17,57,66,900

- 8.1 Discount on commercial paper varies between 6.90% to 7.20% (Previous Year: 8.15% to 9.35%).

9. TRADE PAYABLES	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Trade payables other than acceptances		
— Payable to vendors [Refer Notes 9.1 & 9.2]	82,70,107	53,09,574
— Accrued expenses	5,99,68,512	4,43,19,037
Total	6,82,38,619	4,96,28,611

- 9.1 The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of Information available with the Company. The amount of principal and interest outstanding during the year is given below.

Particulars	As at March 31, 2017	As at March 31, 2016
a) Amount outstanding but not due as at year end	—	—
b) Amount due but unpaid as at the year end	—	—
c) Amounts paid after appointed date during the year	—	—
d) Amount of interest accrued and unpaid as at year end	—	—
e) The amount of further interest due and payable even in the succeeding year	—	—
Total	—	—

This information has been provided by the Company and relied upon by the Auditors.

Notes forming part of the financial statements (Continued)

9.2 The year end foreign currency exposure that are not hedged by a derivative instrument or otherwise are as follows:

Particulars	As at March 31, 2017	As at March 31, 2016
Payables		
— USD	11,315	13,003
— Equivalent Indian Rupees	7,33,609	8,62,500

10. OTHER CURRENT LIABILITIES

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Current maturities of long-term borrowings		
— Term loans from Banks — Secured [Refer Note 10.1]	3,05,25,39,707	1,66,49,60,000
— Non Convertible Debentures — Secured	2,000,000,000	—
Interest accrued and due	—	1,18,83,625
Interest accrued but not due	51,26,17,722	27,30,91,733
Instalments on education loans received in advance (including interest received in advance)	3,93,03,419	4,39,08,353
Statutory dues	34,77,218	32,26,369
Lease equalisation [Refer Note 23.3]	20,129	56,251
Stale cheques	1,29,741	1,24,741
Total	<u>5,60,80,87,936</u>	<u>1,99,72,51,072</u>

11. SHORT-TERM PROVISIONS

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Provision for employee benefits		
— Compensated absences [Refer Note 20.1]	53,47,222	25,26,288
Provision for Income Tax [Net of Advance Tax ₹ 60,47,66,153 (Previous Year ₹ 5,17,69,881)]	2,36,416	2,30,119
Proposed Dividend on Compulsorily Convertible Preference Shares	—	67,000
Dividend Distribution Tax	—	13,640
Total	<u>55,83,638</u>	<u>28,37,047</u>



Notes forming part of the financial statements (Continued)

Particulars	Gross Block				Accumulated depreciation/amortisation				Net Block	
	As at April 1, 2016	Additions During the year	Deletions/ Write-off During the year	As at March 31, 2017	As at April 1, 2016	For the year	Deletions/ Write-off during the year	As at March 31, 2017	As at March 31, 2016	As at March 31, 2016
A Tangible Assets:										
Office equipment	32,40,754	37,06,863	—	69,47,617	22,20,384	5,45,585	—	27,65,969	41,81,648	10,20,370
Previous Year	(31,55,407)	(3,69,686)	(2,84,339)	(32,40,754)	(18,63,343)	(6,32,155)	(2,75,114)	(22,20,384)	(10,20,370)	(12,92,064)
Computers	2,21,94,907	34,27,677	24,128	2,55,98,456	1,50,43,291	28,86,213	24,128	1,79,05,376	76,93,080	71,51,617
Previous Year	(1,75,46,677)	(52,23,547)	(5,75,317)	(2,21,94,907)	(1,33,96,517)	(22,20,611)	(5,73,837)	(1,50,43,291)	(71,51,617)	(41,50,160)
Furniture & Fixtures	59,44,842	46,27,696	—	1,05,72,538	31,29,294	7,98,637	—	39,27,931	66,44,607	28,15,548
Previous Year	(56,67,771)	(4,52,294)	(1,75,223)	(59,44,842)	(26,06,129)	(6,79,779)	(1,56,614)	(31,29,294)	(28,15,548)	(30,61,642)
Sub-total (A)	3,13,80,503	1,17,62,236	24,128	4,31,18,611	2,03,92,969	42,30,435	24,128	2,45,99,276	1,85,19,335	1,09,87,535
Previous Year	(2,63,69,855)	(60,45,527)	(10,34,879)	(3,13,80,503)	(1,78,65,989)	(35,32,545)	(10,05,565)	(2,03,92,969)	(1,09,87,535)	(85,03,866)
B Intangible Assets:										
Education Loan Software (Internally Generated)	69,34,600	—	—	69,34,600	69,34,600	—	—	69,34,600	—	—
Previous Year	(69,34,600)	—	—	(69,34,600)	(69,34,600)	—	—	(69,34,600)	—	—
Other Software	9,64,768	9,85,275	—	19,50,043	5,11,107	2,86,186	—	7,97,293	11,52,750	4,53,661
Previous Year	(11,78,472)	(1,10,023)	(3,23,727)	(9,64,768)	(6,74,445)	(1,60,389)	(3,23,727)	(5,11,107)	(4,53,661)	(5,04,027)
Sub-total (B)	78,99,368	9,85,275	—	88,84,643	74,45,707	2,86,186	—	77,31,893	11,52,750	4,53,661
Previous Year	(81,13,072)	(1,10,023)	(3,23,727)	(78,99,368)	(76,09,045)	(1,60,389)	(3,23,727)	(74,45,707)	(4,53,661)	(5,04,027)
C Capital Work in Progress	—	3,81,562	—	3,81,562	—	—	—	—	—	—
Previous Year	—	—	—	—	—	—	—	—	—	—
Total (A+B)	3,92,79,871	1,31,29,073	24,128	5,23,84,816	2,78,38,676	45,16,621	24,128	3,23,31,169	2,00,53,647	1,14,41,196
Previous Year	(3,44,82,927)	(61,55,550)	(13,58,606)	(3,92,79,871)	(2,54,75,034)	(36,92,934)	(13,29,292)	(2,78,38,676)	(1,14,41,196)	(90,07,893)



Notes forming part of the financial statements (Continued)

13. In compliance with Accounting Standard relating to "Accounting for Taxes on Income" (AS-22), the Company has taken credit of ₹ **1,55,00,000** (Previous Year ₹ 1,30,00,000) in the Statement of Profit and Loss for the year ended March 31, 2016 towards deferred tax asset (net) for the year, arising on the account of timing differences.

Major components of deferred tax assets and liabilities are:

Deferred Tax Assets	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Deferred Tax Liability		
Depreciation	8,32,185	560,438
Deferred Tax Assets		
Compensated Absences	18,50,567	8,74,298
Gratuity	31,93,648	25,05,633
Provision for non performing assets	20,93,879	22,93,879
Contingent provisions against standard assets	4,01,94,091	2,58,86,628
	4,73,32,185	3,15,60,438
Total	4,65,00,000	3,10,00,000

- 13.1 Deferred tax assets are recognised only to the extent that there are timing differences and there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

14. LONG-TERM LOANS AND ADVANCES

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Receivable under Financing Activity - Education Loans [Refer Note 14.1]		
— Secured [Refer Notes 14.2, 14.4 & 14.5]	16,05,29,73,542	12,39,54,64,682
— Unsecured [Refer Notes 14.4 & 14.6]	15,18,24,05,142	10,70,25,61,606
	31,23,53,78,684	23,09,80,26,288
Less: Provision for Non-Performing Loans [Refer Note 27.2]	83,54,871	60,50,275
	31,22,70,23,813	23,09,19,76,013
Others [Unsecured, considered good]		
— Loan & Advances	1,65,000	1,65,000
— Capital Advances	—	25,008
— Advance payments of Income tax [Net of provision of ₹ 11,89,00,000 (Previous Year ₹ 38,73,00,000)]	6,76,493	28,55,296
— Security Deposits		
Related Party	2,00,000	2,00,000
Others	1,01,48,998	56,21,998
	1,11,90,491	88,67,302
Total	31,23,82,14,304	23,10,08,43,315

Notes forming part of the financial statements (Continued)

	As at March 31, 2017 ₹	As at March 31, 2016 ₹
14.1 Of the above		
— Considered good - standard assets	31,22,01,83,741	23,08,46,40,744
— Others - Sub-standard assets	76,24,823	91,29,279
— Others - Doubtful assets	75,70,120	42,56,265
14.2 Secured Loans granted by the Company are secured or partly secured by:		
(a) Immovable Property and/or		
(b) Fixed Deposits and/or		
(c) Life Insurance Policies.		
14.3 Undisbursed Commitments in respect of the education loan agreements amount to ₹ 13,99,25,31,058 (Previous Year ₹ 5,79,83,89,983). However the Company has unconditional right under the loan agreements to cancel these commitments at any time.		
14.4 Includes interest accrued but not due on Secured Education Loans amounting to ₹ 58,66,18,467 (Previous Year ₹ 37,53,60,406).		
14.5 Includes interest accrued but not due on Unsecured Education Loans amounting to ₹ 61,65,00,046 (Previous Year ₹ 24,68,55,708).		
14.6 During the year, the Company has changed its NPA provisioning policy pursuant to which loans outstanding for a period exceeding 90 days are classified as non-performing assets. There is no material impact on the results on account of this change.		
15. TRADE RECEIVABLE	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Sundry Debtors [Unsecured, considered good] [less than six months from the date they become due]	19,67,782	34,91,206
Total	19,67,782	34,91,206
16. CASH AND BANK BALANCES	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Cash and cash equivalents		
Balances with Bank		
— In current accounts	9,82,85,019	4,42,39,684
— In deposits accounts	35,50,000	8,50,000
	10,18,35,019	4,50,89,684
Other bank balances		
— In deposits accounts [Refer Note 16.1]	1,30,00,000	1,30,00,000
	1,30,00,000	1,30,00,000
Total	11,48,35,019	5,80,89,684
16.1 Deposits of ₹ 1,20,00,000 (Previous Year ₹ 1,20,00,000) are marked as lien for overdraft facility from Punjab National Bank.		

Notes forming part of the financial statements (Continued)

17. SHORT-TERM LOANS AND ADVANCES	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Current maturities of Long Term Receivable under Financing Activity - Education Loans [Considered good]		
— Secured [Refer Notes 14.2 & 14.4]	93,10,49,193	74,57,70,966
— Unsecured [Refer Note 14.4]	97,76,52,992	80,20,69,034
	<u>1,90,87,02,185</u>	<u>1,54,78,40,000</u>
Others - [Unsecured, considered good]		
— Security deposits	18,55,000	49,62,500
— Loan and advances to employees	15,29,338	13,23,806
Other Loans and advances (Unsecured, considered good)		
— Service tax input credit receivable	8,42,183	1,38,539
— Prepaid expenses		
Related party [Refer Note 24.3]	2,55,332	2,50,525
Others	21,25,930	33,29,129
— Others		
Related party [Refer Note 24.3]	22,403	14,668
Others	6,79,779	1,59,594
	73,09,965	1,01,78,761
Total	<u>1,91,60,12,150</u>	<u>1,55,80,18,761</u>
18. OTHER CURRENT ASSETS	As at March 31, 2017 ₹	As at March 31, 2016 ₹
Interest accrued but not due on Education Loans	10,85,04,240	9,34,53,038
Interest accrued and due on Education Loans	16,78,468	22,32,250
Interest accrued but not due on bank deposits	6,98,989	7,66,288
Total	<u>11,08,81,697</u>	<u>9,64,51,576</u>
19. REVENUE FROM OPERATIONS	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Interest		
— Interest on Education Loans	3,65,03,26,653	2,79,15,55,548
— Interest on Fixed Deposits with Banks	10,76,636	12,10,116
	<u>3,65,14,03,289</u>	<u>2,79,27,65,664</u>
Dividend Income from Current Non-Trade Investments	39,59,445	37,94,168
Other financial services		
— Front End Origination Fees [Refer Note 19.1]	16,56,53,264	13,44,38,480
— Commission [Refer Note 24.2]	8,08,75,665	6,18,23,691
— Other Fees	1,54,86,062	1,26,29,832
	26,20,14,991	20,88,92,003
Total	<u>3,91,73,77,725</u>	<u>3,00,54,51,835</u>
19.1 Front End Origination Fees is net of the amounts paid to Direct Selling Agents ₹ 4,19,18,498 (Previous Year ₹ 3,46,81,380)		

Notes forming part of the financial statements (Continued)

20. OTHER INCOME	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Interest on Income tax refund	6,91,597	—
Profit on sale of Property, Plant and Equipment	500	—
Total	6,92,097	—
21. EMPLOYEE BENEFIT EXPENSES	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Salaries and Bonus [Refer Note 21.1]	20,06,92,984	16,20,76,997
Contribution to provident fund [Refer Note 21.2]	71,50,247	58,61,686
Gratuity [Refer Note 21.2 (ii)]	41,89,673	18,34,675
Staff welfare expenses [Refer Note 25.2]	65,87,592	50,60,999
Total	21,86,20,496	17,48,34,357

21.1 Salaries and Bonus include ₹ **28,53,934** (Previous Year ₹ 7,62,200) towards provision made in respect of accumulated compensated absences which is in the nature of Long Term Employee Benefits and has been actuarially determined as per Accounting Standard 15 - "Employee Benefits".

21.2 Employee Benefits

As required by Accounting Standard 15 - "Employee Benefits", the following disclosures have been made :

i Defined Contribution Plans

The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ **71,50,247** (Previous Year ₹ 58,61,686) for Provident Fund contributions and ₹ Nil (Previous Year ₹ **18,085**) for Employee State Insurance Scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

ii Defined Benefit Plan

(a) The Company has an obligation towards gratuity, a funded defined benefit plan covering certain eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five year of service.

Notes forming part of the financial statements (Continued)

(b) Details of Company's funded post-retirement benefit plans for its employees are given below which is as certified by the actuary and relied upon by the auditors :

	2016-17 ₹	2015-16 ₹
I Components of employer expense		
1 Current Service cost	20,63,076	18,62,701
2 Interest Cost	6,45,665	4,48,195
3 Expected Return on Plan Assets	(2,06,478)	(48,618)
4 Actuarial Loss / (Gain)	16,87,410	(4,27,603)
5 Losses / (Gains) on Curtailments & Settlement	—	—
6 Total expense recognised in the Statement of Profit and Loss	<u>41,89,673</u>	<u>18,34,675</u>
	2016-17 ₹	2015-16 ₹
II Net liability recognised in the Balance Sheet		
1 Present Value of Defined Benefit Obligation	1,22,52,691	84,96,671
2 Fair Value of Plan Assets	30,24,629	18,34,532
3 Net liability recognised in the Balance Sheet	<u>92,28,062</u>	<u>66,62,139</u>
— Short-term provisions	27,84,170	20,63,076
— Long-term provisions	<u>64,43,892</u>	<u>45,99,063</u>
	2016-17 ₹	2015-16 ₹
III Changes in Defined Benefit Obligation		
1 Present value of Defined Benefit Obligation as at the beginning of the year	84,96,671	67,04,416
2 Current Service Cost	20,63,076	18,62,701
3 Interest Cost	6,45,665	4,48,195
4 Actuarial Loss / (Gain)	15,28,721	(4,49,410)
5 Prior Year Charges	—	—
6 Benefits paid	(4,81,442)	(69,231)
7 Present value of Defined Benefit Obligation as at the end of the year	<u>1,22,52,691</u>	<u>84,96,671</u>
	2016-17 ₹	2015-16 ₹
IV Reconciliation of Liability		
1 Opening Net Liability	66,62,139	60,96,695
2 Expenses Recognised	41,89,673	18,34,675
3 Benefits Paid	(4,23,750)	(69,231)
4 Contribution to Plan Assets	<u>(12,00,000)</u>	<u>(12,00,000)</u>
5 Amount recognised in the Balance Sheet under Provision for Employee Benefits	<u>92,28,062</u>	<u>66,62,139</u>
— Short-term provisions	27,84,170	20,63,076
— Long-term provisions	<u>64,43,892</u>	<u>45,99,063</u>

Notes forming part of the financial statements (Continued)

	2016-17 ₹	2015-16 ₹
V. Reconciliation of Plan Assets		
1. Opening Value of Plan Assets	18,34,532	607,721
2. Expenses incurred in the Fund	—	—
3. Expected return	2,06,478	48,618
4. Actuarial gains and (losses)	(1,58,689)	(21,807)
5. Contribution by employer	12,00,000	12,00,000
6. Benefits paid	(57,692)	—
Closing Value of Plan Assets	<u>30,24,629</u>	<u>18,34,532</u>
	2016-17 ₹	2015-16 ₹
VI. Actual Return on Plan Assets		
1. Expected Return on Plan Assets	2,06,478	48,618
2. Actuarial Gain on Plan Assets	(1,58,689)	(21,807)
3. Actual Return on Plan Assets	<u>—</u>	<u>—</u>
VII. Actuarial Assumptions		
1. Discount Rate	7.40%	7.80%
2. Return on Plan Assets	7.40%	7.80%
3. Attrition Rate	1% - 5%	1% - 5%
4. Salary escalation Rate	7.00%	7.00%
5. Mortality Rate	<u>Indian Assured Lives Mortality (2006-08) Ult.</u>	

VIII. The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

IX. Experience Adjustments	2016-17 ₹	2015-16 ₹	2014-15 ₹	2013-14 ₹	2012-13 ₹
1. Present value of Defined Benefit Obligation	1,22,52,691	84,96,671	67,04,416	40,11,065	31,14,313
2. Present value of Defined Benefit Assets	30,24,629	18,34,532	6,07,721	—	—
3. Experience adjustment on Plan Liabilities	9,76,780	(4,49,410)	2,84,744	3,45,929	(3,06,613)
4. Experience adjustment on Plan Assets	1,58,689	21,807	—	—	—
5. (Excess)/Short of obligation over Plan Assets	(92,28,062)	(66,62,139)	(60,96,695)	(40,11,065)	(31,14,313)

The Company Expects to contribute approximately ₹ 92,25,062 (Previous Year ₹ 66,62,139) to the gratuity fund.

Notes forming part of the financial statements (Continued)

X. Investment Pattern	2016-17	2015-16
Government of India Securities	0%	0%
State Government Securities	0%	0%
High quality corporate bonds	0%	0%
Equity shares of listed companies	0%	0%
Property	0%	0%
Special Deposit Scheme	0%	0%
Policy of insurance	100%	100%
Bank Balance	0%	0%
Other Investments	0%	0%
Total	100%	100%

22. FINANCE COSTS	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Interest expenses on		
– Loans	1,15,99,48,504	1,12,89,07,166
– Debentures [Refer Note 25.2]	85,67,24,196	38,42,10,287
– Commercial Papers	34,79,17,704	34,80,56,351
	2,36,45,90,404	1,86,11,73,804
Other borrowing costs	78,49,906	1,86,31,515
Total	2,37,24,40,310	1,87,98,05,319

23. OTHER EXPENSES	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Electricity expenses	34,54,529	34,10,898
Rent [Refer Note 23.3]	2,08,79,112	1,96,57,669
Repairs and maintenance - Others	45,64,374	31,84,831
Computer expenses [Refer Note 23.2]	71,54,026	50,25,721
Corporate Social Responsibility expenses [Refer Note 30]	88,58,109	48,71,000
Rates and taxes	32,54,019	23,02,399
Travelling and Conveyance	1,54,74,585	1,34,48,853
Postage, Telephone and Bandwidth charges	99,24,383	85,82,524
Advertisement and Sales Promotion expenses [Refer Note 23.2 & 25.2]	3,38,40,136	3,02,05,369
Outsourcing charges	10,81,26,098	8,21,59,172
Professional fees [Refer Note 23.2]	3,70,42,580	2,78,34,169
Loss on Property, Plant and Equipment discarded	—	17,632
Education Loans written off	—	90,000
Auditors' Remuneration [Refer Note 23.1]	25,57,550	25,43,650
Directors' insurance [Refer Note 25.2]	1,60,703	1,79,847
Directors' fees	21,50,000	16,70,000
Interest on Delayed Payment of Statutory Charges		
Printing and Stationery	29,01,708	25,04,878
Miscellaneous expenses	2,08,68,026	1,61,63,054
Total	28,12,09,938	22,38,51,666

Notes forming part of the financial statements (Continued)

23.1 Auditors' Remuneration comprises of:

Particulars	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
— Audit fees	10,00,000	10,00,000
— For other services	15,40,000	15,40,000
— For reimbursement of expenses	17,550	3,650
— Service tax	3,48,270	2,45,099
— Less: Service tax input credit availed	(1,74,135)	(1,22,550)
— Less: Service tax input credit expensed	(1,74,135)	(1,22,550)
Total	25,57,550	25,43,650

23.2 Expenditure in foreign currency

Particulars	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Professional fees	6,49,389	468,734
Advertisement and Sales Promotion expenses	86,05,772	74,22,987
Computer expenses	35,09,385	32,28,630
Miscellaneous expenses	7,17,827	—

23.3 Lease Obligations

In accordance with the Accounting Standard 19 - "Leases" the Company has entered into operating lease arrangements for office premises. The certain leases are cancellable after completion of the notice period of 1 month to 2 months and are for a period of 2 to 3 years and may be renewed for a further period of 0 to 3 years based on mutual agreement of both the parties. The lease agreements provide for an increase in the lease payments by 5% to 15% every year or after 3 years.

Particulars	For the Year Ended March 31, 2017 ₹	For the Year Ended March 31, 2016 ₹
Lease payments recognised in the Statement of Profit and Loss	1,95,20,465	1,81,24,004
The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year	57,64,327	69,69,062
(ii) Later than one year and not later than five years	39,87,451	46,53,928

24. SEGMENT REPORTING

The Company is primarily engaged in providing Education Loans in India. As such, there are no separate reportable segments, as per Accounting Standard on "Segment Reporting" (AS-17).

Notes forming part of the financial statements (Continued)**25. RELATED PARTY DISCLOSURES**

As per the Accounting Standard on "Related Party Disclosure" (AS-18), following disclosure are made:

25.1 Details of Related Parties

- 1 Holding Company
Housing Development Finance Corporation Limited
- 2 Fellow subsidiaries with whom transactions have taken place during the year
HDFC ERGO General Insurance Company Limited
HDFC Standard Life Insurance Company Limited
- 3 Key Management Personnel
Mr. Anil Bohora, Managing Director
Mr. Ajay Bohora, Managing Director & CEO

25.2 The nature and volume of transactions of the Company with the above Related Parties were as follows:

Particulars	Holding Company		Fellow Subsidiaries		Key Management Personnel		TOTAL	
	2016-17 ₹	2015-16 ₹	2016-17 ₹	2015-16 ₹	2016-17 ₹	2015-16 ₹	2016-17 ₹	2015-16 ₹
1 Repayment of Non Convertible Debentures [NCD]	—	79,00,00,000	—	—	—	—	—	79,00,00,000
2 Interest on Non Convertible Debentures [NCD]	—	5,27,43,089	—	—	—	—	—	5,27,43,089
3 Commission received for sourcing Home Loans	8,28,023	6,60,665	—	—	—	—	8,28,023	6,60,665
4 Commission received for sourcing of Fixed Deposits	31,33,906	7,76,251	—	—	—	—	31,33,906	7,76,251
5 Directors' Insurance	—	—	1,60,703	1,79,847	—	—	1,60,703	1,79,847
6 Staff Welfare Expenses	—	—	14,93,644	10,89,538	—	—	14,93,644	10,89,538
7 Gratuity Funding	—	—	12,00,000	12,00,000	—	—	12,00,000	12,00,000
8 Preference Share Dividend Provided	—	67,000	—	—	—	—	—	67,000
9 Remuneration								
- Ajay Bohora	—	—	—	—	1,40,05,000	1,00,05,000	1,40,05,000	1,00,05,000
- Anil Bohora	—	—	—	—	1,40,05,000	1,00,05,000	1,40,05,000	1,00,05,000

25.3 Balance outstanding at the end of the year

Particulars	Holding Company		Fellow Subsidiaries		Key Management Personnel		TOTAL	
	2016-17 ₹	2015-16 ₹	2016-17 ₹	2015-16 ₹	2016-17 ₹	2015-16 ₹	2016-17 ₹	2015-16 ₹
1 Commission receivable for sourcing Home Loans	15,258	88,352	—	—	—	—	—	—
2 Commission receivable for sourcing Fixed Deposits	83,500	18,990	—	—	—	—	—	—
3 Advance Employee Health Insurance Premium	—	—	22,403	14,668	—	—	22,403	14,668
4 Employee Health Insurance Premium (Prepaid Expense)	—	—	1,64,318	1,08,808	—	—	1,64,318	1,08,808
5 Directors' Insurance Premium (Prepaid Expense)	—	—	91,014	1,41,717	—	—	91,014	1,41,717
6 Security Deposit	—	—	2,00,000	2,00,000	—	—	2,00,000	2,00,000
7 Preference Share Dividend Provision	—	67,000	—	—	—	—	—	67,000
8 Remuneration payable								
- Ajay Bohora	—	—	—	—	1,00,00,000	60,00,000	1,00,00,000	60,00,000
- Anil Bohora	—	—	—	—	1,00,00,000	60,00,000	1,00,00,000	60,00,000

Notes forming part of the financial statements (Continued)

26. EARNINGS PER SHARE

In accordance with the Accounting Standard 20 - "Earnings Per Share", following disclosures are made:

Particulars	Units	2016-17	2015-16
Profit after tax	₹	65,47,47,169	45,06,43,124
Less: Dividend on Preference Shares and attributable tax thereon	₹	78,379	80,640
Profit after tax for Basic EPS	₹	65,46,68,790	45,05,62,484
Weighted Average Number of Equity Shares for calculating Basic Earnings Per Share	Numbers	5,50,40,633	5,37,42,003
Face value of equity shares	₹	10	10
Basic Earnings Per Share	₹	11.89	8.38
Profit after tax for Diluted EPS		65,47,47,169	45,06,43,124
Weighted Average Number of Equity Shares for calculating Diluted Earnings Per Share	Numbers	11,00,36,324	10,87,37,694
Face value of equity shares	₹	10	10
Diluted Earnings Per Share	₹	5.95	4.14

i Weighted average number of shares outstanding during the year for Diluted Earnings Per Share:

Particulars	2016-17 Numbers	2015-16 Numbers
Weighted average number of shares of ₹ 10 each outstanding during the year - for calculating Basic Earnings Per Share	5,50,40,633	5,37,42,003
Add: Diluted effect of potential equity shares of ₹ 10 each that could arise on conversion of 6,69,99,956 (Previous Year 6,69,99,956) Compulsorily Convertible Preference Shares	5,49,95,691	5,49,95,691
Weighted average number of shares of ₹ 10 each outstanding during the year - for calculating Diluted Earnings Per Share	11,00,36,324	10,87,37,694

27. Disclosures pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, to the extent applicable to the Company.

27.1 Capital to Risk Assets Ratio (CRAR)

Items	2016-17	2015-16
CRAR (%)	17.56	17.72
CRAR - Tier I capital (%)	10.48	8.86
CRAR - Tier II capital (%)	7.07	9.46
Amount of subordinated debt raised as Tier-II capital (₹)	—	1,00,00,00,000
Amount raised by issue of Perpetual Debt (₹)	—	50,00,00,000

27.2 During financial year under audit, no penalty has been levied by any regulator.

Notes forming part of the financial statements (Continued)**27.3 Asset Liability Management**

Maturity pattern of certain items of assets and liabilities As on March 31, 2017:

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings*	18,46,49,229	1,00,00,000	48,99,23,143	55,05,43,652	71,94,20,637	7,61,37,72,787	14,39,61,83,665	5,53,34,16,198	29,49,79,09,311
Foreign Currency liabilities	7,33,609	—	—	—	—	—	—	—	7,33,609
Assets									
Advances	47,89,53,204	47,40,49,539	46,83,85,508	1,38,13,00,486	2,64,22,02,107	10,38,35,85,953	8,65,85,22,118	8,64,87,89,663	33,13,57,88,579
Investments	—	—	—	—	—	—	—	—	—
Deposits	—	—	—	—	—	—	—	—	—
Foreign Currency assets	—	—	—	—	—	—	—	—	—

*Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 51,26,17,722.

Maturity pattern of certain items of assets and liabilities As on March 31, 2016:

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings*	40,74,89,732	—	24,79,72,633	21,39,40,971	29,87,42,044	6,55,87,45,591	9,38,36,02,656	5,28,49,62,625	22,39,54,56,252
Foreign Currency liabilities	8,62,500	—	—	—	—	—	—	—	8,62,500
Assets									
Advances	36,18,85,065	36,22,40,292	35,85,66,615	1,06,04,35,981	2,06,52,91,142	7,85,10,43,485	6,26,11,91,786	6,32,07,44,186	24,64,13,98,552
Investments	—	—	—	—	—	—	—	—	—
Deposits	—	—	—	—	—	—	—	—	—
Foreign Currency assets	—	—	—	—	—	—	—	—	—

*Excludes interest accrued and due on borrowings ₹ 1,18,63,625 and interest accrued but not due ₹ 27,30,91,733.

In computing the above information, certain estimates, assumptions and adjustments have been made by the management which has been relied upon by the auditors.

Notes forming part of the financial statements (Continued)

27.4 Exposure to Real Estate Sector

Category		Current Year (2016-17) ₹	Previous Year (2015-16) ₹
Direct Exposure			
(i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	14,82,62,00,480	11,46,28,44,490
(ii)	Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose 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	1,08,95,53,749	91,75,87,543
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
	a. Residential Mortgages -	—	—
	b. Commercial Real Estate -	—	—
	Total Exposure to Real Estate Sector [on limit basis or outstanding basis whichever is higher]	15,91,57,54,229	12,38,04,32,033

27.5 Rating assigned by Credit rating agencies and migration of Rating During the year:

Sr. No.	Rating Agency	Type	Current Year (2016-17)	Previous Year (2015-16)
1	CARE	Issuer Rating	CARE AA+ (Is)	CARE AA+ (Is)
		Perpetual Debt Instrument	CARE AA	CARE AA
		Non-Convertible Debenture	CARE AA+	CARE AA+
		Subordinated Debt	CARE AA+	CARE AA+
2	ICRA	Commercial Paper	ICRA A1+	ICRA A1+
		Perpetual Debt Instrument	ICRA AA	ICRA AA
3	CRISIL	Non-Convertible Debenture	CRISIL AA+	CRISIL AA+
		Subordinated Debt	CRISIL AA+	CRISIL AA+

27.6 The Company does not have any Capital Market Exposure.

27.7 The Company does not have any exposure to Derivatives including Forward Rates Agreements, Interest Rate Swaps and Exchange Traded Derivatives.

27.8 The Company has not securitised any of its exposures during the year.

27.9 The Company has neither purchased nor sold any non-performing financial assets during the year.

27.10 The Company has not exceeded Single Borrower Limit (SGL) and nor has exceeded the Group Borrower Limit (GBL).

Notes forming part of the financial statements (Continued)**28. PROVISIONS AND CONTINGENCIES**

Break up of 'Provisions and Contingencies' shown under the head Expenses in Statement of Profit and Loss	Current Year (2016-17) ₹	Previous Year (2015-16) ₹
Provisions for depreciation on Investment	—	—
Provision towards NPA	23,04,596	36,49,468
Provision made towards Income tax (net)	35,82,00,000	25,10,00,000
Other Provision and Contingencies (with details)		
Provision for Employee benefits		
— Compensated absences	28,20,934	7,62,200
— Gratuity	41,89,673	18,34,675
Provision for Standard Assets	4,20,53,659	3,09,74,967

28.1 Concentration of Advances, Exposures and NPAs :**28.1.1 Concentration of Advances**

	Current Year (2016-17)	Previous Year (2015-16)
Total Advances to twenty largest borrowers ₹	17,95,33,674	15,76,45,167
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.54%	0.64%

28.1.2 Concentration of Exposures [on limit basis or outstanding basis whichever is higher]

	Current Year (2016-17)	Previous Year (2015-16)
Total Exposure to twenty largest borrowers / customers ₹	40,23,00,000	30,31,00,000
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the NBFC on borrowers / customers	0.86%	0.88%

28.1.1 Concentration of NPAs

	Current Year (2016-17)	Previous Year (2015-16)
Total Exposure to top four NPA accounts ₹	44,05,351	38,48,405

28.1.4 Sector-wise NPAs

Sr. Sector No.	Percentage of NPAs to Total Advances in that sector Current Year (2016-17)	Percentage of NPAs to Total Advances in that sector Previous Year (2015-16)
1. Agriculture & allied activities	—	—
2. MSME	—	—
3. Corporate borrowers	—	—
4. Services	—	—
5. Unsecured personal loans	—	—
6. Auto loans	—	—
7. Other personal loans	—	—
8. Education Loans	0.05%	0.05%

Notes forming part of the financial statements (Continued)

28.2 Movement of NPAs		Current Year (2016-17)	Previous Year (2015-16)
Sr. No.	Particulars		
(i)	Net NPAs to Net Advances	0.02%	0.03%
(ii)	Movement of NPAs (Gross)	₹	₹
	(a) Opening balance	133,85,544	92,60,991
	(b) Additions during the year	64,35,528	79,85,431
	(c) Reductions during the year	46,26,129	38,60,878
	(d) Closing balance	1,51,94,943	1,33,85,544
(iii)	Movement of Net NPAs	₹	₹
	(a) Opening balance	73,35,269	68,60,184
	(b) Additions during the year	54,75,783	63,64,686
	(c) Reductions during the year	59,70,979	58,89,601
	(d) Closing balance	68,40,073	73,35,269
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)	₹	₹
	(a) Opening balance	60,50,275	24,00,808
	(b) Provisions made during the year	34,01,141	44,18,715
	(c) Write-off / write-back of excess provisions	10,96,545	7,69,248
	(d) Closing balance	83,54,871	60,50,275

28.3 The Company does not have any overseas assets.

28.4 The Company has not sponsored any Off-Balance Sheet SPVs.

28.5 The Company is a non deposit accepting NBFC and as such does not have any depositors.

28.6 Customer Complaints		Current Year (2016-17)	Previous Year (2015-16)
Sr. No.	Particulars		
a	No. of complaints pending at the beginning of the year	—	3
b	No. of complaints received during the year	112	211
c	No. of complaints redressed during the year	112	214
d	No. of complaints pending at the end of the year	—	—

Notes forming part of the financial statements (Continued)

29. Schedule to the Balance Sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction Non-Banking Financial Company - Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

Particulars		As at March 31, 2017		As at March 31, 2016	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
Liabilities Side :					
1. Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:					
(a)	Debentures – Secured	9,37,36,46,385	—	4,13,41,33,241	—
	– Unsecured (Other than falling within the meaning of Public Deposit)	2,63,75,24,556	—	2,63,81,04,504	—
(b)	Deferred Credit	—	—	—	—
(c)	Term Loan	10,22,52,27,249	—	10,05,47,29,351	1,18,83,625
(d)	Inter - corporate loans and borrowing	—	—	—	—
(e)	Commercial Paper	2,72,01,42,355	—	4,17,57,66,900	—
(f)	Other Loan	—	—	—	—
(g)	Book Overdraft	—	—	—	—
Asset Side :					
2. Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :					
(a)	Secured	16,98,40,22,735	—	13,13,92,27,943	20,07,705
(b)	Unsecured	16,16,00,58,134	—	11,50,27,30,563	19,00,077
3. Break up of Leased Assets and stock on hire and other assets counting towards AFC activities					
(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	—	—	—	—

Notes forming part of the financial statements (Continued)

Category	As at March 31, 2017		As at March 31, 2016	
	Secured	Unsecured	Secured	Unsecured
5. Borrower group-wise classification of assets financed as in (2) and (3) above :				
		Amount net of provisions		Amount net of provisions
		Total		Total
1. Related Parties				
(a) Subsidiaries	—	—	—	—
(b) Companies in the same group	—	—	—	—
(c) Other related parties	—	—	—	—
2. Other than Related Parties	16,97,97,40,316	16,14,91,45,610	13,14,09,36,159	11,50,04,62,394
Total	16,97,97,40,316	33,12,88,85,926	13,14,09,36,159	24,64,13,98,553
		Amount net of provisions		Amount net of provisions
		Total		Total
6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):				
		Market Value / Break up or fair value or NAV	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries	—	—	—	—
(b) Companies in the same group	—	—	—	—
(c) Other related parties	—	—	—	—
2. Other than Related Parties	—	—	—	—
Total	—	—	—	—
7. Other information				
		Amount		Amount
Particulars				
i) Gross Non Performing Assets				
(a) Related Parties	—	—	—	—
(b) Other than Related Parties	1,51,94,943	1,33,85,544	1,33,85,544	1,33,85,544
ii) Net Non Performing Assets				
(a) Related Parties	—	—	—	—
(b) Other than Related Parties	68,40,073	73,35,268	73,35,268	73,35,268
iii) Assets acquired in satisfaction of debt	—	—	—	—



Notes forming part of the financial statements (Continued)

30. The Company has incurred CSR expenses are as follows:

Sr. No.	CSR project or activity	In cash (₹)	Yet to be paid in cash (₹)	Total (₹)
1	Providing high quality education to children from low income communities	10,00,000	—	10,00,000
2	Treating the less fortunate children born with facial deformities like cleft lip and palate	42,29,054	—	42,29,054
3	Promoting and encouraging the fields of education having Indian heritage value	2,00,000	—	2,00,000
4	Protecting the children living in dangerous circumstances and face the risk of child trafficking, child marriage, hazardous work, violence and abuse etc.	20,00,000	—	20,00,000
5	Training and employment for holistic and educational rehabilitation of mentally challenged women.	14,29,055	—	14,29,055
	Total	88,58,109	—	88,58,109

31. The Company does not have any contingent liabilities and capital commitments as on the balance sheet date.
32. The Company does not have any investment balance as on March 31, 2017 and hence no disclosure regarding value of investment and movement of provision held towards depreciation on investment is made.
33. During the year, the Company has not obtained registration from other financial sector regulators.
34. The Company does not have any draw down of reserves during the year.
35. Details of Specified Bank Notes (SBNs) held and transacted during the period from November 8, 2016 to December 30, 2016:-

Sr. No.	Particulars	SBN's	Other	Denomination notes	Total
1	Closing cash in hand as on 08.11.2016	—	—	—	—
2	(+) Permitted receipts	—	—	—	—
3	(-) Permitted payments	—	—	—	—
4	(-) Amount deposited in Banks*	72,500	4,03,767	—	4,76,267
5	Closing cash in hand as on 30.12.2016	—	—	—	—

- * Deposited directly by customers against payment of EMI's as routine business activities.
36. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Directors	
V.S. Rangan Chairman (DIN - 00030248)	Anil Bohora Managing Director (DIN - 00694396)
Subodh Salunke Director (DIN - 03053815)	Biswamohan Mahapatra Director (DIN - 06990345)
Sebastian Fernandez Chief Financial Officer (FCA: 112793)	Akanksha Kandoi Company Secretary (FCS: 6883)
Ajay Bohora Managing Director & CEO (DIN - 00694444)	Madhumita Ganguli Director (DIN - 00676830)
Amitabh Chaudhry Director (DIN - 00531120)	Sudhin Choksey Director (DIN - 00036085)

Mumbai
April 18, 2017