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A Subsidiary of
Housing Development Finance, Corporation Limited

Vision: Transform lives & contribute towards nation building

HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED
Thirteenth Annual Report 2017-2018





Board of Directors

Mr. V. Srinivasa Rangan

Chairman
(DIN 00030248)

Mr. Subodh Salunke

Executive Vice Chairman
(DIN 03053815)
w.e.f. April 25, 2018

Mr. Ajay Bohora

Managing Director & Chief Executive Officer
(DIN 00694444)

Mr. Anil Bohora

Managing Director
(DIN 00694396)

Mr. Biswamohan Mahapatra

(DIN 06990345)

Mr. Amitabh Chaudhry

(DIN 00531120)

Mr. Sudhin Choksey

(DIN 00036085)

Ms. Madhumita Ganguli

(DIN 00676830)

SENIOR EXECUTIVES

Mr. Sebastian Fernandez

Chief Financial Officer

(FCA: 112793)

Ms. Akanksha Kandoi

Company Secretary

(FCS:6883)

DEBENTURE TRUSTEE

IDBI Trusteeship Services Limited

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

AUDITORS

M /S BSR & Co. LLP

Chartered Accountants

BANKERS

HDFC Bank Ltd

Corporation Bank

Bank of India

Indian Bank

ICICI Bank Ltd

Allahabad Bank

Andhra Bank

Syndicate Bank

IndusInd Bank Ltd

Punjab National Bank

Jammu & Kashmir Bank Ltd

Sumitomo Mitsui Banking Corporation Ltd

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,

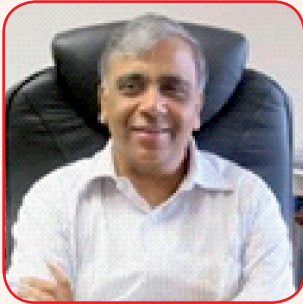
Andheri (E), Mumbai - 400059

Tel: 022- 42270400, Fax: 022- 28503748





Brief Profile of the Directors of the Company



Mr. V. Srinivasa Rangan (DIN: 00030248) is the Chairman of the Board of Directors of the Company. He is the Executive Director of Housing Development Finance Corporation Limited (HDFC), the holding company. Mr. Rangan, holds a Bachelor's degree in Commerce and is an associate member of the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. Mr. Rangan joined HDFC in 1986 and has served in Delhi Region and was the Senior General Manager Corporate Planning & Finance function at the head office of HDFC since 2001. He was appointed as the Executive Director of HDFC in 2010.

Mr. Rangan is the Chairman of the Asset Liability Management Committee, Risk Management Committee and the Allotment Committee of the Board of Directors (Board).

He is also a member of the Nomination & Remuneration Committee and the Corporate Social Responsibility Committee of the Board.



Mr. Subodh Salunke (DIN:03053815) is the Executive Vice Chairman of the Company*. He has a Bachelor's Degree in Commerce and a Masters Degree in Business Administration. He joined HDFC in 1988. He was the Regional Manager Mumbai and his responsibilities included business development in Mumbai & Vidharbh Region through the developer and corporate channels. He has also worked in Management Services Division of HDFC. He was responsible for Operations Training at an all India level.

Mr. Salunke was also involved in the development and execution of training programmes in Indonesia. He was also a member of the Study Group on Housing Finance to the UK. He has undertaken an assignment of a feasibility study of Housing Finance Companies in Maldives.

Mr. Salunke is also the member of the Audit Committee, the Risk Management Committee and the Allotment Committee of the Board of Directors of the Company. He steps down from the Nomination & Remuneration Committee by virtue of being appointed as Whole-time director of the Company.

* W.e.f April 25,2018



Mr. Ajay Bohora (DIN:00694444) is the Managing Director & CEO of the Company. He is the Co-founder of the Company. He started his career with Tata Exports Ltd. and then went to New York to pursue his MBA. After his MBA he worked in the field of Finance at various positions for six years at MetLife Insurance Company in its New York offices

After 8 years in the USA, he returned to India, to start a joint venture. The joint venture was in the field of Business Process Outsourcing (BPO) where the US based company owned 51% and remaining 49% was owned by him and his brother Anil. After growing the healthcare focused BPO, it got acquired by the global BPO giant WNS Global Services. He served on the Board of Directors of WNS Global Services. WNS was owned by British Airways and Warburg Pincus. In 2005, WNS went on with its IPO (Initial Public Offering)

on New York Stock Exchange (NYSE)

With a track record of success, in 2006, along with his brother Anil, he founded India's First Dedicated Education Loan Company.

He has earned Bachelor of Engineering from VJTI, Bombay University and MBA from Hofstra University, New York.

He is the member of the Risk Management Committee, Corporate Social Responsibility Committee and Asset Liability Management Committee of the Board of Directors of the Company. He is also a member of the IT Strategy Committee of the Company.





Brief Profile of the Directors of the Company (Contd.)



Mr. Anil Bohora (DIN:00694396) is the Managing Director of the Company. He is the Co-founder of the Company. He has also co-founded Claims BPO, a business process outsourcing (BPO) company. After growing the company to a certain size, Claims BPO was sold to WNS Global Services Pvt. Ltd., a Warburg Pincus owned company in September 2003.

Before Claims BPO he has held senior management positions from startup to large corporations including AOL Time Warner, Pitney Bowes, etc. where he was responsible for successfully managing design, development and implementation of large complex systems. At AOL Time Warner he was responsible for managing large business relationships.

Mr. Anil Bohora received his Bachelor of Engineering (Electronics and Telecommunications Engineering) from College of Engineering Poona, India. He earned his Master of Science (Electrical and Computer Engineering) degree from Ohio University, USA.

He is also the member of the Allotment Committee of the Board of Directors of the Company.



Mr. B. Mahapatra (DIN: 06990345) is the Independent Director of the Company. He retired as the Executive Director of the Reserve Bank of India (RBI) at the end of August 2014. Most of his career in the Reserve Bank was in the areas of banking regulation, policy, and supervision. He brings on table his vast experience and insight into banking regulation and policy. Post retirement, he was retained by the RBI as an Adviser on a full time contract basis for six months to oversee new bank licensing process. He has represented the RBI at various national and international forum, the most important being at the Policy Development Group of the Basel Committee on Banking Supervision. In the process, he was closely associated with the formulation of Basel II and Basel III regulations. He has co authored a book on *Derivatives Simplified : An Introduction to Risk Management*.

He holds a Master of Science in Management (MSM) degree from the Arthur D. Little Management Education Institute, Cambridge, Massachusetts, USA. He did his Master of Business Administration (MBA) from the Faculty of Management Studies, University of Delhi and Master of Arts from the Jawaharlal Nehru University, New Delhi.

Mr. Mahapatra is the Chairman of the Corporate Social Responsibility Committee and IT Strategy Committee of the Board of Directors of the Company (Board). He is also the member of the Audit Committee of the Board.



Mr. Amitabh Chaudhry (DIN:00531120) is the Independent Director of the Company. He is the MD and CEO of HDFC Standard Life Insurance Company Ltd. a joint venture between HDFC Ltd. and Standard Life Plc of UK. HDFC Standard Life is today recognized as the premium brand in the insurance space and is one of the India's largest private insurers. Before joining HDFC Standard Life, he was the MD and CEO of Infosys BPO Ltd and was also heading the Testing unit of Infosys Technologies Ltd. He played a critical role in building the BPO Company from its inception to an extremely profitable business with presence in eleven centers across seven countries.

He started his career in 1987 with Bank of America and worked in diverse roles ranging from Head of Technology Investment Banking for Asia, Regional Finance Head for Wholesale Banking and Global Markets and Chief Finance Officer of Bank of America (India). He moved to Credit Lyonnais Securities in 2001 where he headed their investment banking franchise for South East Asia and structured finance practice for Asia before joining Infosys BPO in 2003. Mr. Chaudhry completed his Engineering in 1985 from Birla Institute of Technology and Science, Pilani and MBA in 1987 from IIM, Ahmedabad.





Brief Profile of the Directors of the Company (Contd.)

Mr. Chaudhry is also the Chairman of the Nomination & Remuneration Committee and a member of the Audit Committee of the Board of Directors of the Company



Mr. Sudhin Choksey (DIN:00036085) is the Independent Director of the Company. He is the Managing Director of GRUH Finance Limited (GRUH). He is a Fellow Member of the Institute of Chartered Accountants of India. He has been on the Board of GRUH since May 1996. He has more than 35 years of working experience of handling functional areas of finance, commercial and general management both in India and abroad.

Mr. Choksey is the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee of the Board of Directors of the Company.



Ms. Madhumita Ganguli (DIN: 00676830) is a Member of the Executive Management of HDFC Ltd. She has a career spanning 33 years with the organization with various responsibilities both in the Legal functions as well as Business Operations of the organisation. She is a lawyer by qualification and through her experience, she is a housing finance professional. Her core strengths have been the ability to work in large cross functional teams, lead large teams of people with a mix of both senior and junior colleagues, ability to empathize, understand issues with an open mind and find solutions. She has steered the Business Process Reengineering program in HDFC Ltd. for retail lending which has been successfully rolled out across HDFC offices both nationally as well as internationally.

She sits on the boards of an education company i.e. Career Launcher Educate Ltd. and the real estate company of DCM i.e. Purearth Infrastructure Ltd. and has also been a speaker at various international and national seminars on Housing Finance Management.

Ms. Ganguli is also the member of the Audit Committee and the Corporate Social Responsibility Committee of Directors.





Directors' Report

TO THE MEMBERS

Your Directors are pleased to present the Thirteenth Annual Report of the Company with the audited accounts for the year ended March 31, 2018:

Financial Results	For the year ended March 31, 2018 (₹ in Crore)	For the year ended March 31, 2017 (₹ in Crore)
Total Income	488.58	391.81
Total Operating Expenses	68.98	54.42
Gross Profit Before Interest And Depreciation	419.60	337.39
Less : Interest and Finance Charges	283.21	237.24
Less : Depreciation	0.64	0.45
Profit Before Tax	135.75	99.69
Less : Provision for Taxation	50.85	35.77
Add : MAT Credit Entitlement	-	-
Add : Provision for Deferred Tax	2.17	1.55
Profit After Tax	87.07	65.47
Less : Transfer to Reserve as per Section 45-IC (1) of RBI Act	17.42	13.09
Less : Dividend on Compulsorily Convertible Preference Shares*	0.01	-
Less : Dividend Distribution Tax	0.001	-
Balance carried to Balance Sheet	69.64	52.38

*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, 2018, 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, 2018.

Review of Operations

During the financial year ended March 31, 2018, the Company earned a profit before tax of ₹ 135.75 crore as compared to the profit before tax of ₹ 99.69 crore in the previous year. The Company's loan book has grown by

28% in this financial year and its total income has increased by 25% with a similar 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, 2018. 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 ₹ 17.42 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, 2018.





Repayments

During the year under review, ₹ 826 crore was received by way of scheduled repayment of principal through monthly instalments as well as redemptions ahead of schedule, as compared to ₹ 574 crore received during the previous year.

Non-Performing Assets

Gross non-performing loans as at March 31, 2018 amounted to ₹ 1.8 crore. This is equivalent to 0.04% of the loan portfolio. The provision for non-performing assets as at March 31, 2018 stood at ₹ 0.88 crore (as against ₹ 0.84 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 0.40% of the standard assets as compared to the provision made at 0.35% of the standard assets during the previous year. The provision for standard assets as at March 31, 2018 stood at ₹ 17.01 crore (as against ₹ 11.60 crore in the previous year).

Resource Mobilization Perpetual Debt

During the year under review, the Company issued Unsecured, Rated, Listed, Redeemable Perpetual Debt Instruments in the nature of Debentures amounting to ₹ 50 crore. As at March 31, 2018, the Company's outstanding Perpetual Debt stood at ₹ 200 crore and was considered as Tier I & Tier II capital under the guidelines issued by the Reserve Bank of India (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

During the year under review, the Company issued Unsecured, Rated, Listed, Redeemable Non-convertible Subordinated Debentures amounting to ₹ 100 crore. As at March 31, 2018, the Company's outstanding Subordinated Debt stood at ₹ 200 crore. This debt is subordinated to the present and future senior indebtedness of the Company. It has been assigned a rating of 'CRISIL AAA', 'CARE AAA' and "ICRA AAA" by CRISIL, CARE and ICRA respectively. Based on the balance term to maturity, as at March 31, 2018, ₹ 200 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, Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 400 crore on a private placement basis. The Company's NCDs have been listed on the Wholesale Debt Market segment of the BSE Limited. Various NCD issues have been assigned the rating of 'CRISIL AAA' and 'CARE AAA'. As at March 31, 2018, the Company's outstanding NCDs stood at ₹ 1,300 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, 2018, the total term loans outstanding from banks amounted to ₹ 1,529 crore as compared to ₹ 1,328 crore as at March 31, 2017.

Commercial Paper

The Company's Commercial Papers have been assigned the highest rating of 'CRISIL A1+ and 'ICRA A1+' by CRISIL and ICRA respectively, signifying highest safety for timely servicing of debt obligations. The face value of the Commercial Papers outstanding as at March 31, 2018 was ₹ 525 crore as compared to ₹ 275 crore as at March 31, 2017.

Deposits

The Company has not accepted any deposit during the financial year 2017-18 and as such, no amount of principal or interest was outstanding as at March 31, 2018.

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.





Capital Adequacy Ratio

The Company's capital adequacy ratio (CAR) stood at 18.02% as at March 31, 2018, of which Tier I capital was 10.32% and Tier II capital was 7.7%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital as at March 31, 2018 is 15% and 10% respectively. Please refer Note no. 27.1 of the Notes to the Financial Statements explaining the change in computation of CAR as at March 31, 2018.

Subsidiary / Associate Companies

The Company does not have any subsidiary or associate company.

Particulars of Employees' Remuneration

The Company had 246 employees as at March 31, 2018. 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 annexure 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 annexure. Any shareholder interested in obtaining a copy of the annex may write to the Company.

Further disclosures on managerial remuneration are provided in Annexure 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 / Whistle Blower Policy

The Company has in place a Vigil Mechanism & Whistle blower 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.hdfccredila.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 No. 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.hdfccredila.com.

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

During the financial year 2017-18, the Company expended ₹ 1.28 crore (previous year ₹ 1.34 crore) resulting in an outgo of 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. Ajay Bohora and Mr. V. Srinivasa Rangan retire by rotation at the ensuing AGM. They are eligible for re-appointment.





On the recommendation of the Nomination & Remuneration Committee, the Board of Directors of the Company have appointed Mr. Subodh Salunke as the whole-time director of the Company, designated as the Executive Vice Chairman, w.e.f April 25, 2018 for a period of 3 (three) years, subject to the approval of the Shareholders at the forthcoming Annual General Meeting (AGM) of the Company. He will be liable to retire by rotation.

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 B S R & Co. LLP, Chartered Accountants (firm registration number 101248W/W- 100022) were appointed as the statutory auditors of the Company at the AGM held on May 30, 2017, for a term of 5 consecutive years i.e. until the conclusion of the 17th AGM of the Company.

The Company has received a confirmation from Messrs B S R & Co. LLP to the effect that their appointment, if ratified, at the ensuing AGM 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 and 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 qualification.

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

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 after March 31, 2018 and till 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, 2018 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 are 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.

Compliance with Secretarial Standards

The Company is in compliance with applicable Secretarial Standards issued and revised by the Institute of Company Secretaries of India, from time to time.

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 recognizing 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 25, 2018

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 employees' remuneration for the financial year 2017-18

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. V. Srinivasa Rangan	Chairman	0.92
Mr. B. Mahapatra	Independent Director	0.68
Mr. Amitabh Chaudhry	Independent Director	0.20
Mr. Sudhin Choksey	Independent Director	0.42
Ms. Madhumita Ganguli	Non- Executive Director	0.73
Mr. Subodh Salunke	Non- Executive Director	0.53
Mr. Anil Bohora	Managing Director	23.34
Mr. Ajay Bohora	Managing Director & CEO	23.34

Percentage increase in the remuneration of each director and key managerial personnel in the financial year 2017-18

Name	Designation	Increase in Remuneration (%)
Mr. Anil Bohora	Managing Director	10%
Mr. Ajay Bohora	Managing Director & CEO	10%
Mr. Sebastian Fernandez	Chief Financial Officer	28%
Ms. Akanksha Kandoi	Company Secretary	25%

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 14% in the financial year 2017-18. The average increase in remuneration of the executive directors was at 10% on account of commission for the financial year 2017-18 of ₹ 1.12 crore (previous year ₹ 2 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 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 2016-17.

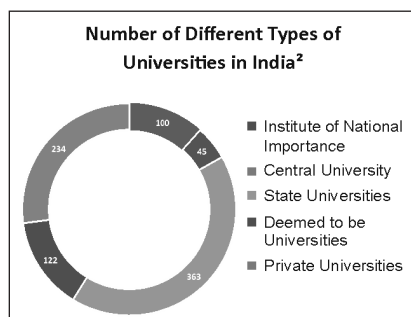


Annex to Directors' Report - 2 Management Discussion and Analysis

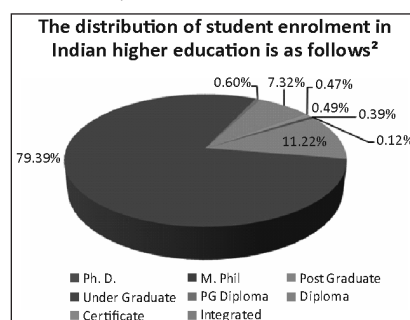
HDFC Credila Financial Services Private Limited ("the Company") is India's first dedicated education loan Company. The Company is a subsidiary of Housing Development Finance Corporation Limited. It is registered with the Reserve Bank of India as a Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI). The Company provides education loans to students for pursuing higher education in India and abroad. Further, vide Notification No. 79/2010/F.No.178/49/2008-ITA-I dated October 13, 2010¹, the Company has been notified by the Central Government as a "Financial Institution" for the purpose of Section 80 E of the Income Tax Act, 1961 wherein the Company's customers can claim income tax benefit for the interest paid on education loans, subject to provisions of the aforesaid Act.

Industry Structure and Developments

India has over 35² million students in higher education studying in 864² Universities across 40,000² institutes. In addition, there are over 250³ million students who are currently enrolled in K-12 (Kindergarten to Std. XII) education in India. Many of these students who are currently in K-12, would pursue higher education over the years. The education sector in India is poised to witness major growth in the years to come.



Most of the banks in India offer education loans. As per the report published by RBI, total outstanding education loan of all the banks in India stands at ₹ 60,713⁴ crore as on March 30, 2018.



Opportunities and Threats

Gross Enrolment Ratio in India for higher education is far lower than that of other developed countries.⁵

Education loan as an asset class for financial institutions is in the nascent phase in India with huge growth potential. In December 2017, 5,86,183⁶ Indian students were studying abroad. In the matured markets globally, the size of education loan portfolio is large as compared to that of India as mentioned below:

Total Education Loan outstanding of various countries

Country	Population	Total education loans outstanding
USA	320 Million	USD 1.3 Trillion ⁸
UK	64 Million	USD 140 Billion ⁹
Australia	23 Million	USD 16 Billion ¹⁰
Canada	35 Million	USD 16 Billion ¹¹
India	1.2 Billion	USD 9 Billion ⁴

On one hand, the cost of education has been constantly rising, while on the other hand, employment scenario globally has been going through lot of turbulence and adjustments. Being a dedicated lender of education loan, the biggest threat the Company faces is in the macroeconomic environment in India and abroad. Depending on the growth of economies, new employment and other opportunities open up for the graduating students. Vast geographical reach and the corresponding distribution capabilities of the competing banks is another threat.

The non-performing loans for the public sector banks in the education sector has grown from ₹ 3,536 crore in March 2015 to ₹ 5,192 crore in March 2017 increasing the NPA ratio to 7.67% in FY17 from 5.70% in FY15⁷.

Segment-wise or Product-wise Performance

The Company focuses on only one segment, which is providing Indian students with education loans for higher studies both in India and abroad.

The Company has two main product categories which include secured education loans and unsecured education loans. Currently, the Company has 48% of its education loan portfolio as secured and 52% as unsecured. Both of these product categories continue to perform well. The gross non-performing assets of the Company are at 0.04% as on March 31, 2018.

Outlook

The cost of higher education in India and abroad has been gradually increasing over the last few years. For the Indian parents, fulfilling the dream of providing higher education



Annex to Directors' Report - 2 (Continued)

to their children remains one of the most important financial goals. Given the young population of India and the fact that today many Indian parents are open to availing education loans considering the attractive tax benefits available, education loans segment has a significant potential to grow.

However, the growth in the education loan segment vis-à-vis other asset classes has been quite low in the last few years due to the high levels of non-performing assets, despite the opportunities in the education loan segment. However, the Company has been able to grow its education loan portfolio by 28% during the year with gross non-performing assets at a minimal level of 0.04%.

The Company has developed policies, procedures, systems and human resources over the last decade considering the nuances associated with the education loan segment. Despite the complex and seasonal nature of the education loan segment and the experience of the banks in this segment, the growth outlook for the Company remains positive.

Risks and Concerns

The Company places emphasis on Risk Management practices to ensure an appropriate balance between risks and returns. Risk Management is driven by the Board of Directors, with the overall responsibility assigned to the Risk Management Committee of the Board. Based on the Risk Management Framework and Policy formulated and adopted by the Risk Management Committee, the following risks have been identified by the Company:

Internal Risks:

- **Credit Risk:** Any lending business is exposed to the risk of default by its borrowers thereby resulting

in Non-Performing Assets (NPAs). NPAs in education loans are high. Currently, 52% 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, liquidity that 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:** Employee attrition, potential non-adherence to Company's policies by employees, accidental death & injury of the employees 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. may affect the performance of the Company in a number of ways and could result in contingent liabilities, operational hassles, variance in operating costs, etc. Operational risk is mitigated by maintaining a comprehensive system of internal controls.
- **ALM related Risk:** This risk arises out of mismatch of assets and

liabilities which is managed internally through constitution of the Asset Liability Management Committee of the Company.

External Risks:

- **Regulatory Changes:** The Company is subject to changes in Indian laws including the Income tax laws, government regulations, policies and accounting principles. Any change in the regulatory framework could adversely affect the profitability of the Company or its future financial performance, by requiring a restructuring of its activities, increasing costs or otherwise.
- **Political and Economic Risk in India:** Though the Company operates only within India and derives almost all of its revenues from the domestic market, there is a considerable impact of global economic factors on it, in a number of ways. It is highly dependent on prevailing economic conditions both in India and abroad and its results of operations are significantly affected by various factors, both Indian and global influencing the Indian economy.

Further, even the fluctuations in foreign exchange rates impact the performance of the Company in a number of ways e.g. in case of an adverse movement in foreign exchange where there is a depreciation in the Indian Rupee vis-a-vis the foreign currency, the Company observes a surge in disbursements and also in pre-payments or repayments and vice-versa.

- **Risk of Competition and Market Factors:** This risk may arise from





the existing banks and NBFCs or new entrants in the business of education loan.

For the students to be able to continue to repay their education loans, it is critical to have strong employment and business opportunities in India and abroad. Uncertainties regarding the above can be a concern.

Internal Control System

The Company has instituted adequate internal control systems that are commensurate with the nature of its business and the size of its operations. Internal Audit is carried out by an independent chartered accountants firm. To support the internal audit function, the Company has an internal audit team comprising of senior employees of the Company. The Audit Committee of the Board of Directors has been duly constituted under section 177 of the Companies Act, 2013 and Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014, with specified terms of reference which *inter alia* include evaluation of the internal financial controls and risk

management systems. All significant audit observations and follow-up actions thereon are reported to the Audit Committee.

All the members of the Audit Committee are non-executive directors and majority of them are independent directors. The committee met four times during the financial year under review.

Discussion on Financial Performance with respect to Operational Performance

During the financial year 2017 - 18, the Company disbursed ₹ 1,642 crore as against ₹ 1,336 crore in the previous year and registered a growth of 23%. The Company disbursed education loans to 8,558 students (previous year 7,513 students) and the average education loan amount was ₹ 19 lacs during the year as against ₹ 18 lacs during the previous year. The financial and operational performance of the Company for the year ended on March 31, 2018 has been good with an increase in the loan book by 28% and gross non-performing loans remaining at 0.04%.

The Company has also seen an increase in net profit after tax by over 33 % to ₹ 87.07 crore as on March 31, 2018.

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

Human resources are the Company's most valuable assets. The Company had 246 employees as on March 31, 2018. During the year, training programmes were conducted at various locations on various topics on knowledge, skill and attitude. Also, online tests on the Company's policies including policy on Know Your Customer & Prevention of Money Laundering, legal and regulatory compliance, Fair Practice Code etc, were conducted for the employees.

Also, based on the training needs, various employees attended the training programmes and seminars conducted by external agencies and institutions.

There has been no industrial dispute during the year.

Sources:

- ¹ <https://www.incometaxindia.gov.in/communications/notification/92011000000000492.pdf>
- ² <http://aishe.nic.in/aishe/viewDocument.action?documentId=239>
- ³ http://mhrd.gov.in/sites/upload_files/mhrd/files/statistics/ESG2016_0.pdf
- ⁴ <http://rbidocs.rbi.org.in/rdocs/content/docs/PR2858SD27042018.xlsx>
- ⁵ <https://data.worldbank.org/indicator/SE.TER.ENRR?end=2016&locations=GB-JP-CN-US-IN&start=2014&view=chart%282014-15%29.pdf>
- ⁶ <http://www.mea.gov.in/loksabha.htm?dtl/29313/QUESTION+NO2755+INDIAN+STUDENTS+ABROAD>
- ⁷ <http://www.careratings.com/upload/NewsFiles/Studies/Education%20Loan%20Publication.pdf>
- ⁸ https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2016Q4.pdf
- ⁹ <https://www.slc.co.uk/media/9134/student-he-loans-balance-by-country-within-the-uk-fy-16-17.pdf>
- ¹⁰ http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/
- ¹¹ <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. The CSR Policy of the Company is available on the Company's website www.hdfccredila.com.
 The CSR objective of the Company is "empowerment of underprivileged children, empowerment of girl child and education".
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, 2017, July 12, 2017 and January 25, 2018. 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: ₹ 69,68,46,818**
4. **Prescribed CSR Expenditure (2% of the amount in Point 3 above): ₹ 1,39,36,936**
5. **Details of CSR spent during the financial year.**
Total amount to be spent during the financial year (2017 - 2018): ₹ 1,39,36,936
 (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	Empowerment of girl child and education (relatable to promoting education, gender equality, empowering women)	Education of Girl Child	Mumbai (Maharashtra)	69,68,468	69,68,468 (contributed to the corpus)	69,68,468	H.T.Parekh Foundation
2	Empowerment of underprivileged children	Treating the less fortunate children born with facial deformities like cleft lip and palate	Mumbai (Maharashtra) & Bangalore (Karnataka)	69,68,468	69,68,468	69,68,468	INGA Health Foundation
Grand Total				1,39,36,936	1,39,36,936	1,39,36,936	

6. 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.
7. Total amount of CSR is spent through implementation agencies.
8. 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 25, 2018

MR. AJAY BOHORA
Managing Director & CEO

MR. B. MAHAPATRA
Chairman – CSR Committee





List of girl children operated by INGA HEALTH FOUNDATION in March 2018

Sl. No.	Age of the girl child(years)	Category	Date of surgery	Amount (₹)
1	10	Cleft	07-Mar-18	23,000
2	4	Cleft	07-Mar-18	23,000
3	6	Cleft	07-Mar-18	23,000
4	14	Cleft	12-Mar-18	23,000
5	13	Cleft	13-Mar-18	23,000
6	12	Maxillo	13-Mar-18	43,500
7	10	Maxillo	13-Mar-18	43,500
8	9	Maxillo	17-Mar-18	43,500
9	4	Maxillo	17-Mar-18	43,500
10	9	Cleft	17-Mar-18	23,000
11	10	Cleft	19-Mar-18	23,000
12	6	Cleft	19-Mar-18	23,000
13	2	Cleft	20-Mar-18	23,000
14	5	Cleft	26-Mar-18	23,000
15	16	Cleft	26-Mar-18	23,000
16	6	Cleft	01-Mar-18	27,176
17	1	Cleft	06-Mar-18	27,100
18	10	Maxillo	13-Mar-18	39,303
19	8	Maxillo	17-Mar-18	41,310
20	4	Maxillo	27-Mar-18	37,200
21	1	Cleft	29-Mar-18	26,030
				625,119





Pictures of some of the children operated by INGA Health Foundation

01 SAKAMMA

PRE-OPERATION

POST-OPERATION



02 MEHRIN

PRE-OPERATION

POST -OPERATION



03 Meher

PRE-OPERATION

POST -OPERATION



Annex to Directors' Report - 4

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2018

[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:-

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	82.22%	2(46) of the Companies Act, 2013


Annex to Directors' Report - 4 (Continued)

IV. SHARE HOLDING PATTERN (Equity Share Capital breakup as percentage of total equity)
(i) Category-wise Shareholding:

	No. of Shares held at the beginning of the year (April 1, 2017)				No. of Shares held at the end of the year (March 31, 2018)				% 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	9.44	57,35,000	—	57,35,000	8.89	(0.55)
(b) Central Govt.	—	—	—	—	—	—	—	—	—
(c) State Govt.(s)	—	—	—	—	—	—	—	—	—
(d) Bodies Corp.	—	—	—	—	—	—	—	—	—
(e) Banks / FI	4,92,72,003	—	4,92,72,003	81.12	5,30,56,403	—	5,30,56,403	82.22	1.10
(f) Any other	—	—	—	—	—	—	—	—	—
Sub-total (A) (1)	5,50,07,003	—	5,50,07,003	90.56	5,87,91,403	—	5,87,91,403	91.11	0.55
(2) Foreign	—	—	—	—	—	—	—	—	—
(a) NRIs- Individuals	57,35,000	—	57,35,000	9.44	57,35,000	—	57,35,000	8.89	(0.55)
(b) Other- Individuals	—	—	—	—	—	—	—	—	—
(c) Bodies Corp.	—	—	—	—	—	—	—	—	—
(d) Banks / FI	—	—	—	—	—	—	—	—	—
(e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (2)	57,35,000	—	57,35,000	9.44	57,35,000	—	57,35,000	8.89	(0.55)
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	6,07,42,003	—	6,07,42,003	100.00	6,45,26,403	—	6,45,26,403	100.00	—
B. Public Shareholding									
1. Institutions	—	—	—	—	—	—	—	—	—
2. Non-Institutions	—	—	—	—	—	—	—	—	—
C. Shares held by Custodian for GDRs & ADRs	—	—	—	—	—	—	—	—	—
Grand Total (A+B+C)	6,07,42,003	—	6,07,42,003	100	6,45,26,403	—	6,45,26,403	100	—





Annex to Directors' Report - 4 (Continued)

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (April 1, 2017)			Shareholding at the end of the year (March 31, 2018)			% 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	4,92,72,003	81.12	—	5,30,56,403	82.22	—	1.10
2	Anil Bohora	57,35,000	9.44	—	57,35,000	8.89	—	(0.55)
3	Ajay Bohora	57,35,000	9.44	—	57,35,000	8.89	—	(0.55)
	Total	6,07,42,003	100.00	—	6,45,26,403	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	4,92,72,003	81.12		
31.07.2017	Allotment of equity shares on Right Basis	13,70,600	0.41	5,06,42,603	81.53
28.03.2018	Allotment of equity shares on Right Basis	24,13,800	0.69	5,30,56,403	82.22
	At the end of the year			5,30,56,403	82.22

There is no change in the number of shares held by the other promoters. However there is a dilution in the percentage of their shareholding in the Company on account of the above issue of shares.

- (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 mentioned in 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	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
Change in Indebtedness during the financial year				
• Addition	3,997,909,994	4,022,582,041		8,020,492,035
• Reduction	—	—	—	—
Net Change	3,997,909,994	4,022,582,041		8,020,492,035
Indebtedness at the end of the financial year				
i) Principal Amount	28,285,981,064	9,186,043,340		37,472,024,404
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	354,272,348	194,205,612		548,477,960
Total (i+ii+iii)	28,640,253,412	9,380,248,952		38,020,502,364

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	98,05,000	98,05,000	1,96,10,000
	(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	56,00,000	56,00,000	1,12,00,000
5	Others, please specify			
	Total (A)	1,54,05,000	1,54,05,000	3,08,10,000
	Overall Ceiling as per the Companies Act, 2013	₹ 6.94 crore each (5% each of the net profits of the Company)		₹ 13.88 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	5,50,000	—	—	5,50,000
Mr. Biswamohan Mahapatra	4,10,000	-	-	4,10,000
Mr. Amitabh Chaudhry	1,20,000	-	-	1,20,000
Mr. Sudhin Choksey	2,50,000	-	-	2,50,000
Ms. Madhumita Ganguli	3,20,000	-	-	3,20,000
Mr. Subodh Salunke	4,40,000	-	-	4,40,000
Total	20,90,000			20,90,000
Overall Ceiling as per the Companies Act, 2013	1,00,000*	₹1.38 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:

Board Meeting - ₹ 30,000 per meeting

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. Akanksha Kandoi (₹)	Mr. Sebastian Fernandez (₹)	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	24,61,386	41,41,942	66,03,328
	(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	24,61,386	41,41,942	66,03,328

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 has 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 seven (7) times. The meetings were held on April 18, 2017, July 12, 2017, October 23, 2017, December 7, 2017, December 21, 2017, January 25, 2018 and March 09, 2018.

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)	7	2,10,000
Mr. B. Mahapatra	7	2,10,000
Mr. Amitabh Chaudhry	2	60,000
Mr. Sudhin Choksey	5	1,50,000
Ms. Madhumita Ganguli	6	1,80,000
Mr. Subodh Salunke	6	1,80,000
Mr. Anil Bohora	6	—
Mr. Ajay Bohora	7	—

Leave of absence was granted to the directors who could not attend the respective meetings.

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.





Annex to Directors' Report - 5 (Continued)

During the year, the committee met four (4) times. The meetings were held on April 18, 2017, July 12, 2017, October 23, 2017, and January 25, 2018.

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)	3	60,000
Mr. B. Mahapatra	4	80,000
Mr. Amitabh Chaudhry	1	20,000
Ms. Madhumita Ganguli	4	80,000
Mr. Subodh Salunke	3	60,000

Leave of absence was granted to the members who could not attend the 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. 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 primary objective is to ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent at all levels and keep them motivated enough to meet the organizational objectives, to ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component), to have performance measurement parameters in place to assess the overall performance of Directors, KMPs, Members of Senior Management and all other employees.

The remuneration paid to the directors and members of senior management is in conformity with the said policy.

The Committee met two (2) times during the year. The meetings were held on April 18, 2017 and October 23, 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)	1	20,000
Mr. V. Srinivasa Rangan	2	40,000
Mr. Sudhin Choksey	1	20,000
Mr. Subodh Salunke	2	40,000

* Stepped down as member of the committee w.e.f April 25, 2018.

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





Annex to Directors' Report - 5 (Continued)

Corporate Social Responsibility Committee

In accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed there under, 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 in the Annual Report on CSR activities annexed to this report.

The Committee met three (3) times during the year. The meetings were held on April 18, 2017, July 12, 2017 and January 25, 2018.

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 seven (7) times. The meetings were held on June 28, 2017, July 24, 2017, July 31, 2017, August 7, 2017, November 16, 2017, December 8, 2017 and March 28, 2018.

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)	6	1,20,000
Mr. Subodh Salunke	7	1,40,000
Mr. Anil Bohora	7	—

Leave of absence was granted to Mr. Srinivasa Rangan who could not attend one meeting.





Annex to Directors' Report - 5 (Continued)

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 (4) times. The meetings were held on June 29, 2017, September 28, 2017, December 21, 2017 and March 28, 2018.

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	4	—
Mr. Shridhar Hebbar	4	—
Mr. Sebastian Fernandez	4	—
Mr. Laxmikant Tople	4	—

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 July 12, 2017 and January 25, 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	1	20,000
Mr. Ajay Bohora	2	—

Leave of absence was granted to Mr. Subodh Salunke who could not attend one meeting.

IT Strategy Committee

In accordance with Master Direction - Information Technology Framework for the NBFC Sector dated June 8, 2017, the Company was required to constitute an IT Strategy Committee.

The IT Strategy Committee was constituted in the Board Meeting held on July 12, 2017 consisting of Independent Director (Chairman of the Committee), Managing Director & CEO, Chief Information Officer, Chief Technology Officer,





Information Security Officer & Head - Innovation & Development, National Sales Manager, AVP Legal, Manager - Finance & Compliance. The quorum for the meeting of the committee is 3 members out of which one shall be the Chairman.

The terms of reference of the IT Strategy Committee *inter alia* include:

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

During the year, the committee met two (2) times. The meetings were held on August 18, 2017, and January 25, 2018.

IT Steering Committee

In accordance with the Master Direction - Information Technology Framework for the NBFC Sector dated June 8, 2017, the Company is required to constitute an IT Steering Committee.

The IT Steering Committee was constituted at the Board Meeting held on July 12, 2017 consisting of the Chief Technology Officer, Chief Information Officer, Sr. Manager - Operations, Sr. Manager - HR, Project Manager, Manager - Technical Lead and ABM - Emerging Market to provide oversight and monitoring of the progress of the IT project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable, setting priority for projects, deciding the resource allocation for projects, any other matter as may be prescribed by the IT Strategy Committee, RBI or Board from time to time.

During the year, the Committee met four (4) times. The Meetings were held on August 03, 2017, January 10, 2018, January 23, 2018 and March 14, 2018.

Outsourcing Management Committee

RBI had issued Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs on November 9, 2017.

Outsourcing Management Committee was constituted at the Board Meeting held on December 21, 2017 consisting of the AVP - Accounts & Finance, Regional Manager - Operations, National Sales Manager, AVP - Legal and the Sr. Regional Credit Manager.

The terms of reference of the Committee include:

- Evaluating the risks and materiality of all existing and prospective outsourcing arrangements and the policies that apply to such arrangements.
- Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- Setting up suitable administrative framework for the purpose of these directions.





- Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, safety and soundness
- Deciding on business activities of a material nature to be outsourced, and approving such arrangements and
- Overall compliance with RBI directions. 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 February 15, 2018. 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. The Nomination & Remuneration Committee and the Board of Directors of the Company had adopted the revised criteria on performance evaluation of the Independent Directors, Non - Executive Directors, Managing Directors, Chairman, the Board as a whole and its Committees, based on the SEBI Guidance Note released by SEBI on January 5, 2017 on the evaluation of the Board of Directors of the listed companies.

The Nomination & Remuneration Committee had sought feedback from the directors through structured questionnaires. Mr. Amitabh Chaudhry, independent director and the Chairman of the Nomination & Remuneration Committee had evaluated the feedback and communicated the outcome of the evaluation to the Nomination & Remuneration Committee and the Chairman of the Board. 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, 2018

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

To,
The Members,
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, 2017 to March 31, 2018 (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, 2018, 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. Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs;

j. Master Direction - Information Technology Framework for the NBFC Sector;

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

We have also examined compliance with the applicable clauses of Secretarial Standards 1 and 2 issued by the Institute of Company Secretaries of India;

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





Secretarial Audit Report (Continued)

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 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

was no change 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, dissenting members' views were not required to be captured and recorded as part of the minutes as there were no such instance.

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.

2. Private Placement of Non-Convertible Debentures:

Date of Issue	Subscriber to the issue	Amount (INR in crores)	Nature & Terms of security
June 28, 2017 (NCDs)	1. ICICI Prudential Mutual Fund, ICICI Prudential Flexible Income Plan	200	Minimum asset cover – 1.05 times of the principal outstanding and interest accrued but not paid
July 24, 2017 Sub debt	2. Darashaw & Company Private Limited	50	Unsecured
August 07, 2017 (NCDs)	3. HDFC Bank Ltd.	200	Minimum asset cover – 1.05 times of the principal outstanding and interest accrued but not paid
November 16, 2017 (Sub Debt)	4. Aditya Birla Finance Limited 5. Indian Farmers Fertiliser Cooperative Limited	50	Unsecured
December 08, 2017 (PDI)	6. Darashaw & Company Private Limited	50	Unsecured
Total		550	

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:

1. Rights Issue of Equity Shares:

During the Audit Period, the Company allotted equity shares by way of rights issue:

- 13,70,600 equity shares of face value INR 10 and premium of INR 99.44 per share on July 31, 2017;
- 24,13,800 equity shares of INR. 10 each at a premium of INR. 135 per share on March 28, 2018;

In the event of no-response by Mr. Ajay Bohora and Mr. Anil Bohora, the Company allotted the rights entitlement only to HDFC Limited, the holding company.





Secretarial Audit Report (Continued)

For Vinod Kothari & Company

Practising Company Secretaries

Vinita Nair

Partner

Mumbai

Membership No.: A31669

April 13, 2018

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 2017;
- 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 Auditor's Report

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

Report on the audit of the financial statements

We have audited the accompanying financial statements of **HDFC Credila Financial Services Private Limited** (formerly known as Credila Financial Services Private Limited) ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit 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, 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 are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause a Company to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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



Independent Auditor's Report (Continued)

accepted in India, of the state of affairs of the Company as at 31 March 2018 and its profit and its cash flows for the year ended on that date.

Other Matter

Attention is drawn to the fact that the figures for the year ended 31 March 2017 as reported in these financial statements were audited by the another auditor who expressed an unmodified opinion on those financial statements, dated 18 April 2017.

Report on Other Legal and Regulatory Requirements

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

(a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as

it appears from our examination of those books;

(c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act;

(e) on the basis of the written representations received from the Directors as on 31 March 2018 taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2018 from being appointed as a Director in terms of Section 164 (2) of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 32 to the financial statements;

ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer Note 27.9 to the financial statements;

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

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited financial statements for the period ended 31 March 2017 have been disclosed.

For **B S R & Co. LLP**

Chartered Accountants

(Firm's Registration No. 101248W/W-100022)

Akeel Master

Partner

MUMBAI,

25 April 2018

(Membership No. 046768)





Annexure “A” to the Independent Auditor’s Report – 31 March 2018

(Referred to in our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified once in two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company did not hold any immovable property during the year. Accordingly, paragraph 3(i)(c) of the Order is not applicable.

(ii) The Company is a Non-Banking Finance Company (NBFC), engaged in the business of lending. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.

(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.

(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees’ state insurance, income-tax, service tax, goods and services tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, duty of customs, value added tax and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees’ state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are

no dues of provident fund, employees’ state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the money raised by way of the term loans has been applied by the Company during the year for the purpose for which it were raised. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.



**Annexure “A” to the Independent Auditor’s Report** (Continued)

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors

or persons connected with him. Accordingly, paragraph 3(xiv) of the Order is 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 certificate of registration dated 9 March 2017.

For B S R & Co. LLP

Chartered Accountants

(Firm’s Registration No. 101248W/W-100022)

Akeel Master

Partner

MUMBAI,
25 April 2018

(Membership No. 046768)





Annexure “B” to the Independent Auditor’s Report

(Referred to in our report of even date)

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

We have audited the internal financial controls over financial reporting of **HDFC Credila Financial Services Private Limited** (formerly known as *Credila Financial Services Private Limited*) (“the Company”) as of 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s responsibility for internal financial controls

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal

financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the ‘Guidance Note’) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s

internal financial controls system over financial reporting.

Meaning of internal financial controls over financial reporting

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





HDFC Credila Financial Services Private Limited
(formerly known as Credila Financial Services Private Limited)

Annexure “B” to the Independent Auditor’s Report (Continued)

over financial reporting of future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in

all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated

in the Guidance Note issued by the ICAI.

For **B S R & Co. LLP**
Chartered Accountants
(Firm’s Registration No. 101248W/W-100022)

Akeel Master
Partner
MUMBAI,
25 April 2018 (Membership No. 046768)



Balance Sheet as at 31 March, 2018

Particulars	Note No.	(Currency: INR in '000)	
		As at 31 March, 2018	As at 31 March, 2017
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	13,15,264	12,77,420
(b) Reserves and surplus	4	32,39,143	19,15,180
		<u>45,54,407</u>	<u>31,92,600</u>
(2) Non-current liabilities			
(a) Long-term borrowings	5	2,49,48,863	2,17,25,227
(b) Other long term liabilities	6	11,824	11,761
(c) Long-term provisions	7	1,86,800	1,27,494
		<u>2,51,47,487</u>	<u>2,18,64,482</u>
(3) Current liabilities			
(a) Short-term borrowings	8	51,86,043	27,20,142
(b) Trade payables			
(i) Total outstanding dues of micro enterprises & small enterprises		—	—
(ii) Total outstanding dues other than micro enterprises & small enterprises	9	87,365	68,239
(c) Other current liabilities	10	79,28,744	56,08,088
(d) Short-term provisions	11	23,331	3,269
		<u>1,32,25,483</u>	<u>83,99,738</u>
Total		<u><u>4,29,27,377</u></u>	<u><u>3,34,56,820</u></u>
II. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	12		
(i) Tangible assets		22,651	18,519
(ii) Intangible assets		5,781	1,153
(iii) Capital work in progress		200	382
		<u>28,632</u>	<u>20,054</u>
(b) Deferred tax assets (net)	13	68,200	46,500
(c) Long-term loans and advances	14	4,01,84,781	3,12,46,569
		<u>4,02,81,613</u>	<u>3,13,13,123</u>
(2) Current assets			
(a) Trade receivables	15	3,584	1,968
(b) Cash and bank balances	16	1,42,348	1,14,835
(c) Short-term loans and advances	17	23,88,267	19,16,012
(d) Other current assets	18	1,11,565	1,10,882
		<u>26,45,764</u>	<u>21,43,697</u>
Total		<u><u>4,29,27,377</u></u>	<u><u>3,34,56,820</u></u>

Significant accounting policies

2

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

As per our report of even date attached.

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
(formerly known as Credila Financial Services Private Limited)
CIN No: U67190MH2006PTC159411

Directors

For B S R & Co. LLP
Chartered Accountants
Firm's Regi. No: 101248W/W-100022

V.S. Rangan
Chairman
(DIN - 00030248)

Anil Bohora
Managing Director
(DIN - 00694396)

Ajay Bohora
Managing Director & CEO
(DIN - 00694444)

Madhumita Ganguli
Director
(DIN - 00676830)

Akeel Master
Partner
Membership No: 046768

Subodh Salunke
Director
(DIN - 03053815)

Biswamohan Mahapatra
Director
(DIN - 06990345)

Amitabh Chaudhry
Director
(DIN - 00531120)

Sudhin Choksey
Director
(DIN - 00036085)

Mumbai
Date:- 25 April 2018

Mumbai
Date:- 25 April 2018

Sebastian Fernandez
Chief Financial Officer
(FCA: 112793)

Akanksha Kandoi
Company Secretary
(FCS: 6883)

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

Particulars	Note No.	(Currency: INR in '000)	
		For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
I. Revenue from operations	19	48,85,778	39,17,378
II. Other income	20	5	693
III. Total Revenue (I+II)		48,85,783	39,18,071
IV. Expenses:			
(a) Employee benefits expense	21	2,61,964	2,18,621
(b) Finance costs	22	28,32,099	23,72,441
(c) Depreciation and amortisation expenses	12	6,370	4,517
(d) Other expenses	23	3,73,283	2,81,211
(e) Provisions for non-performing assets	28	448	2,305
(f) Contingent provisions against standard assets	7.1	54,102	42,054
Total expenses		35,28,266	29,21,149
V. Profit before tax (III-IV)		13,57,517	9,96,922
VI. Tax expense:			
(a) Current tax		4,90,600	3,58,200
(b) Deferred tax	13	(21,700)	(15,500)
(c) Provisions for tax relating to prior years charged/ (released)		17,898	(523)
		4,86,798	3,42,177
VII. Profit for the year (V-VI)		8,70,719	6,54,745
VIII. Earnings per share(of ₹ 10 each):	26		
(a) Basic		14.11	11.89
(b) Diluted		7.46	5.95

Significant accounting policies 2

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

As per our report of even date attached.

**For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited**
(formerly known as Credila Financial Services Private Limited)
CIN No: U67190MH2006PTC159411
Directors

For B S R & Co. LLP
Chartered Accountants
Firm's Regi. No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Mumbai
Date:- 25 April 2018

V.S. Rangan
Chairman
(DIN - 00030248)

Subodh Salunke
Director
(DIN - 03053815)

Mumbai
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(DIN - 00694396)

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Director
(DIN - 00676830)

Sudhin Choksey
Director
(DIN - 00036085)



Cash Flow Statement for the year ended 31 March, 2018

Particulars	(Currency: INR in '000)	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
A. Cash flow from operating activities		
Profit before taxation*	13,57,517	9,96,922
<i>Adjustments for :</i>		
Depreciation/amortisation	6,370	4,517
(Profit)/loss on property, plant and equipment discarded	24	(1)
Education loans written off	943	—
Interest expense	28,19,688	23,64,591
Interest income	(46,04,865)	(36,51,403)
Provisions for non-performing assets	448	2,305
Contingent provisions against standard assets	54,102	42,054
Dividend income from current non-trade investments	(1,785)	(3,959)
Provision for employee benefits	5,875	5,387
Trade payables written off	(20)	—
Interest on income tax refund	—	(692)
Interest on income tax payable	5,800	—
	<u>(17,13,420)</u>	<u>(12,37,201)</u>
Operating profit before working capital changes	(3,55,903)	(2,40,279)
<i>Adjustments for :</i>		
(Increase) / decrease in long term loans and advances	(93,88,171)	(84,98,215)
Decrease / (increase) in other non-current assets	1,188	(4,502)
(Increase) / decrease in trade receivable	(1,616)	1,523
(Increase) / decrease in short-term loans and advances	(13,878)	2,869
(Decrease)/ increase in other long term liabilities	(385)	1,651
Increase / (decrease) in trade payables	19,146	18,610
Increase / (decrease) in other current liabilities	25	(4,385)
Cash used in operations	(97,39,594)	(87,22,727)
Interest received	46,04,182	36,36,973
Interest paid	(27,83,828)	(21,36,948)
Income tax paid	(5,01,047)	(3,53,875)
Income tax refund	—	2,581
Interest on income tax refund	—	692
Dividend received	1,785	3,959
Purchase of current investments	(45,70,000)	(49,10,000)
Sale of current investments	45,70,000	49,10,000
Bank balances not considered as cash and cash equivalents (deposit with original maturity of more than 3 months)		
— Placed	(13,500)	(13,000)
— Matured	13,000	13,000
	<u>(84,19,002)</u>	<u>(75,69,345)</u>
Net cash used in operating activities (A)	(84,19,002)	(75,69,345)

* Includes amount spent towards corporate social responsibility expenses as per section 135 (5) of the Companies Act, 2013 (See note 30)



Cash Flow Statement for the year ended 31 March, 2018 (Continued)

Particulars	(Currency: INR in '000)	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(15,000)	(13,129)
Sale of property, plant and equipment	29	—
Net cash generated from/(used) in investing activities (B)	(14,971)	(13,129)
C. Cash flow from financing activities		
Short term borrowings		
— Taken during the year	2,28,48,371	1,64,46,458
— Repaid during the year	(2,03,82,470)	(1,79,02,082)
Long term borrowings		
— Taken during the year	1,24,60,000	1,11,10,000
— Repaid during the year	(69,51,595)	(25,51,921)
Proceeds from issue of equity shares	4,99,999	5,50,000
Share issue expenses	(500)	(1,025)
Non - convertible debenture issue expenses	(12,738)	(12,129)
Dividend on compulsorily convertible preference shares	(81)	(81)
Net cash generated from financing activities (C)	84,60,986	76,39,219
Net increase/(decrease) in cash and cash equivalents (A+B+C)	27,013	56,745
Cash and cash equivalents at the beginning of the year	1,01,835	45,090
Cash and cash equivalents at the end of the year	1,28,848	1,01,835
Reconciliation of cash and cash equivalents with the balance sheet:		
Cash and bank balance as per balance sheet [Refer Note 16]	1,42,348	1,14,835
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]	13,500	13,000
Cash and cash equivalents at the end of the year [as defined in AS 3 Cash Flow Statements] included in Note 16	1,28,848	1,01,835

See accompanying notes forming part of the financial statements

Explanation: The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3 'Cash Flow Statements'.

As per our report of even date attached.

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
(formerly known as Credila Financial Services Private Limited)
CIN No: U67190MH2006PTC159411

Directors

For B S R & Co. LLP
Chartered Accountants
Firm's Regi. No: 101248W/W-100022

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Mumbai
Date:- 25 April 2018

Mumbai
Date:- 25 April 2018

Sebastian Fernandez
Chief Financial Officer
(FCA: 112793)

Akanksha Kandoi
Company Secretary
(FCS: 6883)



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 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 Systematically 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 of accounting under the historical cost convention.

Current assets include elements which are expected to be realised within one year and current liabilities include items which are due within 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) Revenue recognition

(a) Interest on loans and advances

Income on loans and advances is accounted for on accrual basis. 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 loans and advances 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 and advances 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. Commission to direct selling agents is accrued at the time of disbursement of loans and netted off from front end origination fees in the Statement of Profit and Loss.





Notes forming part of the financial statements (Continued)

(d) **Commission income**

Income from commission includes [i] fees received from the authorised dealers on referral of foreign exchange, travel insurance business and sim cards & mobile plans, [ii] income on sourcing of insurance business to fellow subsidiary company, [iii] income on sourcing of home loan and fixed deposits to Holding Company. The Company recognises commission income in accordance with the terms of the relevant agreement.

(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.

(iv) **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.

(v) **Advances and provisions for non-performing assets ("NPAs")**

Loans are initially recorded at the disbursed principal amounts and are subsequently adjusted for recoveries and prepayments. Allowances for credit losses are shown under non current liabilities.

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 recognised as per the prudential norms prescribed in the guidelines issue by RBI as amended. Additional provisions (over and above the prudential norms) if required is recognised 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.

(vi) **Investments**

As per Accounting Standard 13, current investments are carried individually, at the lower of cost and fair value.

(vii) **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.

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

(viii) **Depreciation/ amortisation**

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



Notes forming part of the financial statements (Continued)

(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 following cases:

Computers: Useful life adopted by the Company: 4 Years; Useful life as per Companies Act: 3 years.

Life for these 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 such as softwares are amortised over the period of five years on straight line method.

(c) All capital assets with individual value less than ₹ 5 thousand are depreciated fully in the year in which they are purchased.

(ix) Impairment of assets

Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, is recognised. If any such indication exists, the Company estimates the recoverable amount of the asset.

(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) Employee benefits

(a) Provident fund

The Company's contribution paid/ payable during the year towards provident fund is charged to Statement of Profit and Loss every year. In accordance with the applicable law, all employee of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount on a monthly basis at a determined rate to the pension scheme administered by the Regional Provident Fund Commission (RPFC) and the Company has no liability for future Provident Fund benefits other than its annual contribution, since it is a defined contribution plan.

(b) Gratuity

Gratuity is a defined benefit plan, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

(c) Other Employee benefits

i) Short term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.



Notes forming part of the financial statements (Continued)

ii) Long term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date as determined basis Actuarial valuation.

(xiii) 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.

(xiv) 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.

(xv) 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.

(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) Taxation

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 as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets



Notes forming part of the financial statements (Continued)

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.

(xviii) Service tax/goods and services tax input credit

Service tax/goods and services 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.

(xix) 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 exchange rates. Exchange differences arising on realisation and year end restatements are recognised as income or expense in the Statement of Profit and Loss.

(xx) 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.

(xxi) Operating cycle

– Classification of all assets and liabilities into current & non-current

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

(Currency: INR in '000)

Particulars	As at 31 March, 2018		As at 31 March, 2017	
	Number of shares	₹	Number of shares	₹
Authorised				
Equity shares of ₹ 10 each	7,00,00,000	7,00,000	7,00,00,000	7,00,000
Compulsorily convertible preference shares ("CCPS") of ₹10 each	8,50,00,000	8,50,000	8,50,00,000	8,50,000
Total	15,50,00,000	15,50,000	15,50,00,000	15,50,000
Issued, Subscribed and Fully Paid up				
Equity shares of ₹ 10 each	6,45,26,403	6,45,264	6,07,42,003	6,07,420
Compulsorily convertible preference shares of ₹ 10 each fully paid up	6,69,99,956	6,70,000	6,69,99,956	6,70,000
Total	13,15,26,359	13,15,264	12,77,41,959	12,77,420


Notes forming part of the financial statements (Continued)

(Currency: INR in '000)

3.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year:

Particulars	Equity shares			
	As at 31 March, 2018		As at 31 March, 2017	
	Number of shares	₹	Number of shares	₹
Shares outstanding at the beginning of the year	6,07,42,003	6,07,420	5,37,42,003	5,37,420
Rights Shares issued during the year	37,84,400	37,844	70,00,000	70,000
Shares outstanding at the end of the year	6,45,26,403	6,45,264	6,07,42,003	6,07,420

Particulars	Compulsorily convertible preference shares			
	As at 31 March, 2018		As at 31 March, 2017	
	Number of shares	₹	Number of shares	₹
Shares outstanding at the beginning of the year	6,69,99,956	6,70,000	6,69,99,956	6,70,000
Shares outstanding at the end of the year	6,69,99,956	6,70,000	6,69,99,956	6,70,000

- 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:

- **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. 30 April, 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. 6 July, 2012.
- **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. 13 August, 2012.





Notes forming part of the financial statements (Continued)

- **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. 30 August, 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. 2 September, 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. 2 September, 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 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. 2 September, 2013.
- **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. 27 February, 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. 2 September, 2013.
- **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. 28 March, 2014.

3.2 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 31 March, 2018		As at 31 March, 2017	
		Number of shares held	% Holding	Number of shares held	% Holding
	Housing Development Finance Corporation Limited - Holding Company	5,30,56,403	82.22%	4,92,72,003	81.12%
	Mr. Anil Bohora	57,35,000	8.89%	57,35,000	9.44%
	Mr. Ajay Bohora	57,35,000	8.89%	57,35,000	9.44%
	Total	6,45,26,403	100%	6,07,42,003	100%

b)	Particulars	Compulsorily convertible preference shares			
		As at 31 March, 2018		As at 31 March, 2017	
		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

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
(a) Securities premium		
Opening balance	5,68,004	96,960
Add : Premium received on equity shares issued during the year	4,62,155	4,80,000
Less : Utilised during the year for the equity shares issue expenses [Refer Note 4.1]	500	1,025
Less : Utilised during the year for non - convertible debentures issue expenses (Net of tax ₹ 4,394 thousands) [Refer Note 4.2]	8,330	7,931
	10,21,329	5,68,004
(b) Special reserve [under section 45-IC (1) of the Reserve Bank of India Act, 1934]		
Opening balance	3,33,159	2,02,210
Add: Transfer from the Statement of Profit and Loss	1,74,150	1,30,949
	5,07,309	3,33,159
(c) Surplus in Statement of Profit and Loss		
Opening balance	10,14,017	4,90,219
Add: Profit for the year	8,70,719	6,54,747
	18,84,736	11,44,966
Less: Appropriations during the year	—	—
Transfer to special reserve [under section 45-IC (1) of the Reserve Bank of India Act, 1934]	1,74,150	1,30,949
Dividend on compulsorily convertible preference shares	67	—
Dividend distribution tax	14	—
	17,10,505	10,14,017
Total	32,39,143	19,15,180



Notes forming part of the financial statements (Continued)

- 4.1 During the year, the Company utilised ₹ 500 thousands (previous year ₹ 1,025 thousands) in accordance with section 52 of the Companies Act 2013, towards issue expenses in respect of equity shares.
- 4.2 The Company has utilised ₹ 12,738 thousands (previous year ₹ 12,129 thousands) (Net of tax ₹ 8330 thousands) 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 25 April, 2018. As per Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in Annual General Meeting in Financial Year 2018-19.

5. LONG-TERM BORROWINGS

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Debentures [All are privately placed non-convertible debentures]		
— Secured [Refer Note 5.1]		
Non-convertible debentures	90,00,000	90,00,000
— Unsecured [Refer Note 5.1]	—	—
Non-convertible subordinated debentures	20,00,000	10,00,000
Non-convertible perpetual debt instruments	20,00,000	15,00,000
	1,30,00,000	1,15,00,000
Term loans from banks		
— Secured [Refer Note 5.2]	1,19,48,863	1,02,25,227
Total	2,49,48,863	2,17,25,227

5.1 Terms of redemption of debentures :

(a) Debentures — Secured

(Currency: INR in '000)

Maturities -	< 1 year	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
7.50% - 9.00%	40,00,000	40,00,000	50,00,000	—	1,30,00,000
Previous Year (8.00% - 9.00%)	(20,00,000)	(40,00,000)	50,00,000	—	(1,10,00,000)
Total	40,00,000	40,00,000	50,00,000	—	1,30,00,000
Previous Year	(20,00,000)	(40,00,000)	(50,00,000)	—	(1,10,00,000)

(b) Debentures - Unsecured

Maturities -	< 1 year	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
08.10% - 11.75%	—	—	—	40,00,000	40,00,000
Previous Year (09.30% - 11.99%)	—	—	—	(25,00,000)	(25,00,000)
Total	—	—	—	40,00,000	40,00,000
Previous Year	—	—	—	(25,00,000)	(25,00,000)





Notes forming part of the financial statements (Continued)

- (c) During the year, the Company raised ₹ 40,00,000 thousands (previous year ₹ 70,00,000 thousands) through issue of long term, secured, non convertible debentures. All these non convertible debentures are secured by *paripassu* charge by way of hypothecation of education loan receivables of the Company's underlying portfolio of education loans and related collaterals.
- (d) As on 31 March, 2018 the Company's outstanding subordinated debt is ₹ 20,00,000 thousands (previous year ₹ 10,00,000 thousands). 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 31 March, 2018, 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 ₹ 5,00,000 thousands (previous year ₹ Nil) through issue of perpetual debt instruments. ₹ 4,71,742 thousands (previous year ₹ 2,94,803 thousands) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

5.2 Repayment terms of term loans:

a) Term loans - Secured

(Currency: INR in '000)

Maturities -	< 1 year	1-3 years	3-5 years	> 5 years	TOTAL
Rates of Interest					
07.55% - 09.00%	33,37,309	69,90,953	36,85,363	12,72,547	1,52,86,172
Previous year (08.00% - 09.95%)	(30,52,540)	(53,80,079)	(39,12,968)	(9,32,180)	(1,32,77,767)
Total	33,37,309	69,90,953	36,85,363	12,72,547	1,52,86,172
Previous Year	(30,52,540)	(53,80,079)	(39,12,968)	(9,32,180)	(1,32,77,767)

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

6. OTHER LONG-TERM LIABILITIES

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Instalments on education loans received in advance [Including interest received in advance]	2,882	3,391
Lease equalisation [Refer Note 23.3]	139	15
Provision for non-performing loans [Refer Note 28.2]	8,803	8,355
Total	11,824	11,761





Notes forming part of the financial statements (Continued)

7. LONG-TERM PROVISIONS

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Provision for employee benefits		
– Gratuity [Refer Note 21.2 (ii)]	10,462	6,444
– Compensated absences	6,285	5,099
	<u>16,747</u>	<u>11,543</u>
Others		
– Contingent provisions against standard assets [Refer Note 7.1 & 7.2]	1,70,053	1,15,951
	<u>1,70,053</u>	<u>1,15,951</u>
Total	<u><u>1,86,800</u></u>	<u><u>1,27,494</u></u>

7.1 Contingent Provisions against standard assets

	FY 2017-18	FY 2016-17
Opening Provision	1,15,951	73,897
Additional Provision	54,102	42,054
Closing Provision	<u>1,70,053</u>	<u>1,15,951</u>

7.2 The Company has recognised an additional standard asset provision of ₹ 21,257 thousands (previous year ₹ 16,572 thousands) for year ended 31 March, 2018. As specified in RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 1 September, 2016, the Company has made provision @ 0.40% of the standard assets as compared to the provision made @ 0.35% of the standard assets during last year.

8. SHORT-TERM BORROWINGS

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Other Loans and Advances		
– Commercial papers - Unsecured [unexpired discount ₹ 63,957 thousands (Previous Year: ₹ 29,858 thousands)]	51,86,043	27,20,142
Total	<u><u>51,86,043</u></u>	<u><u>27,20,142</u></u>

8.1 Discount on commercial paper varies between 7.85% to 7.95% (previous year: 6.90% to 7.20%).

9. TRADE PAYABLES

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Trade payables other than acceptances		
– Payable to vendors [Refer Notes 9.1 & 9.2]	26,991	8,270
– Accrued expenses	60,374	59,969
Total	<u><u>87,365</u></u>	<u><u>68,239</u></u>

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.




Notes forming part of the financial statements (Continued)

Particulars	As at 31 March, 2018	As at 31 March, 2017
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.

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

Particulars	As at 31 March, 2018	As at 31 March, 2017
Payables		
— USD	17	11
— Equivalent Indian Rupees (₹ in '000)	1,092	734

10. OTHER CURRENT LIABILITIES

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Current maturities of long-term borrowings		
— Term loans from banks - Secured [Refer Note 5.2]	33,37,309	30,52,540
— Non convertible debentures - Secured	40,00,000	20,00,000
Interest accrued but not due	5,48,478	5,12,618
Instalments on education loans received in advance (including interest received in advance)	30,752	39,303
Statutory dues	11,936	3,477
Lease equalisation [Refer Note 23.3]	122	20
Stale cheques	147	130
Total	79,28,744	56,08,088

11. SHORT-TERM PROVISIONS

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Provision for employee benefits		
— Gratuity	3,365	2,784
— Compensated absences	339	249
Provision for income tax [Net of advance tax ₹ NIL (previous year ₹ 6,04,766 thousands)]	19,627	236
Total	23,331	3,269





Notes forming part of the financial statements (Continued)

(Currency: INR in '000)
(₹)

12. PROPERTY, PLANT AND EQUIPMENT

Particulars	Gross Block			Accumulated depreciation/amortisation			Net Block		
	As at 1 April, 2017	Additions During the year	Deletions/ Write-off During the year	As at 31 March, 2018	As at 1 April, 2017	For the year	Deletions/ Write-off during the year	As at 31 March, 2018	As at 31 March, 2017
A Tangible Assets:									
Office equipment	6,948	3,614	196	10,366	2,766	1,374	194	3,947	4,182
Previous year	(3,241)	(3,707)	—	(6,948)	(2,220)	(546)	—	(2,766)	(1,020)
Computers	25,599	4,745	710	29,634	17,905	3,555	704	20,756	7,693
Previous Year	(22,195)	(3,428)	(24)	(25,599)	(15,043)	(2,886)	(24)	(17,905)	(7,152)
Furniture & Fixtures	10,573	1,801	318	12,056	3,928	1,047	273	4,702	6,645
Previous Year	(5,945)	(4,628)	—	(10,573)	(3,129)	(799)	—	(3,928)	(2,816)
Sub-total (A)	43,120	10,160	1,224	52,056	24,600	5,976	1,171	29,405	18,519
Previous Year	(31,381)	(11,763)	(24)	(43,120)	(20,393)	(4,231)	(24)	(24,600)	(10,988)
B Intangible Assets:									
Education Loan Software (Internally Generated)	6,935	—	—	6,935	6,935	—	—	6,935	—
Previous Year	(6,935)	—	—	(6,935)	(6,935)	—	—	(6,935)	—
Other Software	1,950	5,022	—	6,972	797	394	—	1,191	1,153
Previous Year	(965)	(985)	—	(1,950)	(511)	(286)	—	(797)	(454)
Sub-total (B)	8,885	5,022	—	13,907	7,732	394	—	8,126	1,153
Previous Year	(7,900)	(985)	—	(8,885)	(7,446)	(286)	—	(7,732)	(454)
C Capital Work in Progress (c)	382	5,572	5,754	200	—	—	—	—	382
Previous Year	—	(382)	—	(382)	—	—	—	—	(382)
Total (A+B+C)	52,387	20,754	6,978	66,163	32,332	6,370	1,171	37,531	20,054
Previous Year	(39,281)	(13,130)	(24)	(52,387)	(27,839)	(4,517)	(24)	(32,332)	(11,441)




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 ₹ **21,700** thousands (previous year ₹ 15,500 thousands) in the Statement of Profit and Loss for the year ended 31 March 2018 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

(Currency: INR in ‘000)

	As at 31 March, 2018	As at 31 March, 2017
Deferred Tax Liability		
Depreciation	559	832
Deferred Tax Assets		
Compensated absences	2,315	1,851
Gratuity	4,832	3,194
Provision for non performing assets	2,114	2,094
Contingent provisions against standard assets	59,498	40,194
	<u>68,759</u>	<u>47,332</u>
Total	<u>68,200</u>	<u>46,500</u>

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

14. LONG-TERM LOANS AND ADVANCES

(Currency: INR in ‘000)

	As at 31 March, 2018	As at 31 March, 2017
Receivable under financing activity - education loans [Refer Note 14.1]		
— Secured [Refer Notes 14.2, 14.4]	1,90,46,453	1,60,52,974
— Unsecured [Refer Note 14.5]	2,11,17,777	1,51,82,405
	<u>4,01,64,230</u>	<u>3,12,35,379</u>
Others [Unsecured, considered good]		
— Loan & advances	—	165
— Advance payments of income tax [Net of provision of ₹ 4,86,192 thousands (previous year ₹ 1,18,900 thousands)]	11,225	676
— Security deposits		
Related party	200	200
Others	9,126	10,149
	<u>20,551</u>	<u>11,190</u>
Total	<u>4,01,84,781</u>	<u>3,12,46,569</u>





Notes forming part of the financial statements (Continued)

	(Currency: INR in '000)	
	As at 31 March, 2018	As at 31 March, 2017
14.1 Of the above		
— Considered good - standard assets	4,01,46,246	3,12,20,184
— Others - sub-standard assets	10,706	7,625
— Others - doubtful assets	7,278	7,570
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 ₹ 1,18,12,541 thousands (previous year ₹ 73,24,187 thousands). 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 ₹ 11,85,408 thousands (previous year ₹ 5,86,618 thousands).		
14.5 Includes interest accrued but not due on unsecured education loans amounting to ₹ 8,74,444 thousands (previous year ₹ 6,16,500 thousands).		
15. TRADE RECEIVABLE		
	(Currency: INR in '000)	
	As at 31 March, 2018	As at 31 March, 2017
Sundry Debtors		
[Unsecured, considered good] [less than six months from the date they become due]	3,584	1,968
Total	3,584	1,968
16. CASH AND BANK BALANCES		
	(Currency: INR in '000)	
	As at 31 March, 2018	As at 31 March, 2017
Cash and cash equivalents		
Balances with bank		
— In current accounts	1,28,748	98,285
— In deposits accounts	100	3,550
	1,28,848	1,01,835
Other bank balances		
— In deposits accounts [Refer Note 16.1]	13,500	13,000
	13,500	13,000
Total	1,42,348	1,14,835
16.1 Deposits of ₹ 10,000 thousands (previous year ₹ 12,000 thousands) are marked as lien for overdraft facility from Punjab National Bank & Deposits of ₹ 2,500 thousands (previous year ₹ NIL) are marked as lien for bank guarantee given to UIDAI.		




Notes forming part of the financial statements (Continued)

17. SHORT-TERM LOANS AND ADVANCES

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Current maturities of long term receivable under financing activity - education loans [considered good]		
– Secured	11,26,296	9,31,049
– Unsecured	12,40,783	9,77,653
	<u>23,67,079</u>	<u>19,08,702</u>
Others - [Unsecured, considered good]		
– Security deposits	5,306	1,855
– Loan and advances to employees	2,507	1,529
Other loans and advances (Unsecured, considered good)		
– Service tax input credit receivable	—	842
– Goods & service tax input credit receivable	7,665	—
– Prepaid expenses		
Related party [Refer Note 25.3]	314	255
Others	4,648	2,126
– Others		
Related party [Refer Note 25.3]	34	23
Others	714	680
	<u>21,188</u>	<u>7,310</u>
Total	<u>23,88,267</u>	<u>19,16,012</u>

18. OTHER CURRENT ASSETS

(Currency: INR in '000)

	As at 31 March, 2018	As at 31 March, 2017
Interest accrued but not due on education loans	1,09,025	1,08,504
Interest accrued and due on education loans	1,881	1,678
Interest accrued but not due on bank deposits	659	700
Investment in mutual funds	—	—
Total	<u>1,11,565</u>	<u>1,10,882</u>

19. REVENUE FROM OPERATIONS

(Currency: INR in '000)

Particulars	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Interest		
– Interest on education loans	46,03,858	36,50,327
– Interest on fixed deposits with banks	1,007	1,077
	<u>46,04,865</u>	<u>36,51,404</u>
Dividend income from current non-trade investments	1,785	3,959
Other financial services		
– Front end origination fees [Refer Note 19.1]	1,77,002	1,65,653
– Commission [Refer Note 25.2]	89,790	80,876
– Other Fees	12,336	15,486
	<u>2,79,128</u>	<u>2,62,015</u>
Total	<u>48,85,778</u>	<u>39,17,378</u>

19.1 Front end origination fees is net of the amounts paid to direct selling agents ₹ 55,764 thousands (previous year ₹ 41,918 thousands)





Notes forming part of the financial statements (Continued)

20. OTHER INCOME

	(Currency: INR in '000)	
	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Interest on Income tax refund	—	692
Profit on sale of property, plant and equipment	5	1
Total	5	693

21. EMPLOYEE BENEFIT EXPENSES

	(Currency: INR in '000)	
	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Salaries and bonus	2,37,720	1,97,818
Contribution to provident fund [Refer Note 21.1 (i)]	9,089	7,150
Gratuity [Refer Note 21.1 (ii)]	5,799	4,190
Compensated absences	1,472	2,875
Staff welfare expenses [Refer Note 25.2]	7,884	6,588
Total	2,61,964	2,18,621

21.1 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 ₹ 9,089 thousands (previous year ₹ 7,150 thousands) for provident fund contributions and ₹ Nil (previous year ₹ Nil) 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 subject to a limit of ₹ 2,000 thousands. 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 :

	(Currency: INR in '000)			
	Compensated absences		Gratuity	
	2017-18 ₹	2016-17 ₹	2017-18 ₹	2016-17 ₹
I Components of employer expense				
1 Current service cost	1,748	1,113	2,784	2,063
2 Interest cost	386	192	882	646
3 Expected return on plan assets	—	—	(302)	(206)
4 Actuarial loss/ (gain)	(662)	1,571	(20)	1,687
5 Losses/(gains) on curtailments & settlement	—	—	2,455	—
6 Total expense recognised in the statement of profit and loss	<u>1,472</u>	<u>2,876</u>	<u>5,799</u>	<u>4,190</u>

	(Currency: INR in '000)			
	Compensated absences		Gratuity	
	2017-18 ₹	2016-17 ₹	2017-18 ₹	2016-17 ₹
II Net liability recognised in the balance sheet				
1 Present value of defined benefit obligation	6,623	5,347	17,727	12,253
2 Fair value of plan assets	—	—	(3,886)	(3,025)
3 Unrecognised past service cost	—	—	(14)	—
4 Net liability recognised in the balance sheet	<u>6,623</u>	<u>5,347</u>	<u>13,827</u>	<u>9,228</u>
— Short-term provisions	339	250	3,365	2,784
— Long-term provisions	6,284	5,097	10,462	6,444

	(Currency: INR in '000)			
	Compensated absences		Gratuity	
	2017-18 ₹	2016-17 ₹	2017-18 ₹	2016-17 ₹
III Changes in defined benefit obligation				
1 Present value of defined benefit obligation as at the beginning of the year	5,347	2,526	12,253	8,497
2 Current service cost	1,748	1,112	2,784	2,063
3 Interest cost	386	192	882	645
4 Actuarial loss/(gain)	(662)	1,571	(76)	1,529
5 Prior year charges	—	—	2,469	—
6 Benefits paid	(196)	(54)	(585)	(481)
7 Present value of defined benefit obligation as at the end of the year	<u>6,623</u>	<u>5,347</u>	<u>17,727</u>	<u>12,253</u>





Notes forming part of the financial statements (Continued)

	Compensated absences		Gratuity	
	2017-18 ₹	2016-17 ₹	2017-18 ₹	2016-17 ₹
(Currency: INR in '000)				
IV Reconciliation of Liability				
1 Opening net liability	5,347	2,526	9,228	6,662
2 Expenses recognised	1,472	2,875	5,799	4,190
3 Benefits paid	(196)	(54)	(153)	(424)
4 Contribution to plan assets	—	—	(1,047)	(1,200)
5 Amount recognised in the balance sheet under provision for employee benefits	<u>6,623</u>	<u>5,347</u>	<u>13,827</u>	<u>9,228</u>
— Short-term provisions	339	250	3,365	2,784
— Long-term provisions	<u>6,284</u>	<u>5,097</u>	<u>10,462</u>	<u>6,444</u>
(Currency: INR in '000)				
	Compensated absences		Gratuity	
	2017-18 ₹	2016-17 ₹	2017-18 ₹	2016-17 ₹
V Reconciliation of Plan Assets				
1 Opening value of plan assets	—	—	3,024	1,835
2 Expenses incurred in the fund	—	—	—	—
3 Expected return	—	—	302	206
4 Actuarial gains and (losses)	—	—	(55)	(159)
5 Contribution by employer	—	—	1,047	1,200
6 Benefits paid	—	—	(432)	(58)
7 Closing value of plan assets	<u>—</u>	<u>—</u>	<u>3,886</u>	<u>3,024</u>
(Currency: INR in '000)				
	Compensated absences		Gratuity	
	2017-18 ₹	2016-17 ₹	2017-18 ₹	2016-17 ₹
VI Actual return on Plan Assets				
1 Expected return on plan assets	—	—	302	206
2 Actuarial gain on plan assets	—	—	(55)	(159)
3 Actual return on plan assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(Currency: INR in '000)				
	Compensated absences		Gratuity	
	2017-18	2016-17	2017-18	2016-17
VII Actuarial assumptions				
1 Discount rate	7.70%	7.40%	7.70%	7.40%
2 Return on plan assets	NA	NA	7.70%	7.40%
3 Attrition rate	1% - 5%	1% - 5%	1% - 5%	1% - 5%
4 Salary escalation rate	<u>7.00%</u>	<u>7.00%</u>	<u>7.00%</u>	<u>7.00%</u>
5 Mortality rate	Indian Assured Lives Mortality (2006-08) Ult.		Indian Assured Lives Mortality (2006-08) Ult.	

The present ceiling limit for gratuity of ₹ 1,000 thousands has been revised to ₹ 2,000 thousands vide amendment in the Payment of Gratuity Act, 1972. The impact of the same is ₹ 2,468 thousands.




Notes forming part of the financial statements (Continued)

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.

(Currency: INR in '000)

	Compensated Absenses				
	2017-18	2016-17	2015-16	2014-15	2013-14
IX (a) Experience adjustments	₹	₹	₹	₹	₹
1 Present value of defined benefit obligation	6,623	5,347	2,526	1,764	1,354
2 Present value of defined benefit assets	—	—	—	—	—
3 Experience adjustment on plan liabilities	(766)	1,312	(458)	(759)	(914)
4 Experience adjustment on plan assets	—	—	—	—	—
5 Unrecognised past service cost	—	—	—	—	—
6 (Excess)/short of obligation over plan assets	<u>6,623</u>	<u>5,347</u>	<u>2,526</u>	<u>1,764</u>	<u>1,354</u>

(Currency: INR in '000)

	Gratuity				
	2017-18	2016-17	2015-16	2014-15	2013-14
IX (b) Experience adjustments	₹	₹	₹	₹	₹
1 Present value of defined benefit obligation	17,727	12,253	8,497	6,705	4,011
2 Present value of defined benefit assets	(3,886)	(3,025)	(1,835)	(608)	—
3 Experience adjustment on plan liabilities	582	977	(449)	285	346
4 Experience adjustment on plan assets	56	159	22	—	—
5 Unrecognised past service cost	(14)	—	—	—	—
6 (Excess)/short of obligation over plan assets	<u>13,841</u>	<u>9,228</u>	<u>6,662</u>	<u>6,097</u>	<u>4,011</u>

The Company expects to contribute approximately ₹ 13,827 thousands (previous year ₹ 9,228 thousands) to the gratuity fund in the next year.

	Compensated absenses		Gratuity	
	2017-18	2016-17	2017-18	2016-17
X Investment pattern				
Government of India securities	0%	0%	0%	0%
State government securities	0%	0%	0%	0%
High quality corporate bonds	0%	0%	0%	0%
Equity shares of listed companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Special deposit scheme	0%	0%	0%	0%
Policy of insurance*	0%	0%	100%	100%
Bank balance	0%	0%	0%	0%
Other investments	0%	0%	0%	0%
Total	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>100%</u>





Notes forming part of the financial statements (Continued)

* Components of investment by the insurance company are:

	Gratuity	
	2017-18	2016-17
Government securities	25.53%	43.47%
Corporate bonds -		
AAA	30.71%	32.65%
AA+	22.32%	20.19%
AA	14.84%	—
Cash, deposits, MMI	6.60%	3.69%
Total	100.00%	100.00%

22. FINANCE COSTS

	(Currency: INR in '000)	
	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Interest expenses on		
— Loans	10,94,471	11,59,949
— Debentures	13,57,687	8,56,724
— Commercial Papers	3,67,530	3,47,918
	<u>28,19,688</u>	<u>23,64,591</u>
Other borrowing costs	12,411	7,850
Total	28,32,099	23,72,441

23. OTHER EXPENSES

	(Currency: INR in '000)	
	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Electricity expenses	4,114	3,455
Rent [Refer Note 23.3]	24,655	20,879
Repairs and maintenance - Others	5,866	4,564
Computer expenses [Refer Note 23.2]	13,786	7,154
Corporate social responsibility expenses [Refer Note 30]	13,937	8,858
Rates and taxes	3,828	3,254
Travelling and conveyance	11,810	15,475
Postage, telephone and bandwidth charges	12,001	9,924
Advertisement and sales promotion expenses [Refer Note 23.2]	25,686	33,840
Outsourcing charges *	1,77,794	1,08,126
Professional fees [Refer Note 23.2]	44,899	37,043
Loss on Property, Plant and Equipment discarded	30	—
Education loans written off	943	—
Auditors' remuneration [Refer Note 23.1]	2,309	2,558
Directors' insurance [Refer Note 25.2]	104	161
Directors' fees	2,090	2,150
Interest on delayed payment of statutory charges	5,808	—
Printing and stationery	3,623	2,902
Miscellaneous expenses	20,000	20,868
Total	3,73,283	2,81,211

* Note: 1. Outsourcing charges includes prior period charges of Rs. 3,056 thousands.

2. With effect from 1 April 2017, the Company changed the nature of agreement with one of its outsourcing agency to direct selling agent. As at the year end, the agreement with the said agency was revised to the original terms with effect from 1 April 2017. Consequently, the entire amount of expenses relating to the said agency are presented as outsourcing charges in financial results for the year ended 31 March 2018.




Notes forming part of the financial statements (Continued)

23.1 Auditors' Remuneration comprises of:

(Currency: INR in '000)

Particulars	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
— Audit fees	1,000	1,000
— For other services	1,212	1,540
— For reimbursement of expenses	96	18
— Service tax	276	348
— Less: Service tax input credit availed	(138)	(174)
— Less: Service tax input credit expensed	(138)	(174)
— Goods & services tax	107	—
— Less: Goods & services tax input credit availed	(53)	—
— Less: Goods & services tax input credit expensed	(53)	—
Total	2,309	2,558

23.2 Expenditure in foreign currency

(Currency: INR in '000)

Particulars	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Professional fees	1,262	649
Advertisement and sales promotion expenses	9,757	8,606
Computer expenses	1,693	3,509
Postage, telephone and bandwidth charges	20	—
Miscellaneous expenses	9	718

23.3 Lease Obligations

In accordance with the Accounting Standard 19 - "Leases" the Company has entered into operating lease arrangements for office premises. Certain leases are cancellable after completion of the notice period of 1 month to 3 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

(Currency: INR in '000)

Particulars	For the Year Ended 31 March, 2018	For the Year Ended 31 March, 2017
Lease payments recognised in the Statement of Profit and Loss	21,604	19,520
The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year	8,323	5,764
(ii) Later than one year and not later than five years	15,814	3,987





Notes forming part of the financial statements (Continued)

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).

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. Ajay Bohora, Managing Director & CEO
Mr. Anil Bohora, Managing Director

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

(Currency: INR in '000)

Particulars	Holding Company		Fellow Subsidiaries		Key Management Personnel		TOTAL	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
	₹	₹	₹	₹	₹	₹	₹	₹
1 Commission received for sourcing home loans	485	828	—	—	—	—	485	828
2 Commission received for sourcing of fixed deposits	4,950	3,134	—	—	—	—	4,950	3,134
3 Commission received for sourcing insurance	—	—	922	—	—	—	922	—
4 Directors' insurance	—	—	104	161	—	—	104	161
5 Staff welfare expenses	—	—	1,727	1,494	—	—	1,727	1,494
6 Gratuity funding	—	—	1,200	1,200	—	—	1,200	1,200
7 Preference share dividend provided	67	—	—	—	—	—	67	—
8 Remuneration								
- Mr. Ajay Bohora	—	—	—	—	15,405	14,005	15,405	14,005
- Mr. Anil Bohora	—	—	—	—	15,405	14,005	15,405	14,005
9 Right shares issued (including premium)	4,99,999	5,50,000	—	—	—	—	4,99,999	5,50,000

25.3 Balance outstanding at the end of the year

(Currency: INR in '000)

Particulars	Holding Company		Fellow Subsidiaries		Key Management Personnel		TOTAL	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
	₹	₹	₹	₹	₹	₹	₹	₹
1 Commission receivable for sourcing home loans	242	15	—	—	—	—	242	15
2 Commission receivable for sourcing fixed deposits	31	84	—	—	—	—	31	84
3 Commission receivable for sourcing insurance	—	—	979	—	—	—	979	—
4 Advance employee health insurance premium	—	—	34	22	—	—	34	22
5 Employee health insurance premium (prepaid expense)	—	—	222	164	—	—	222	164
6 Directors' insurance premium (prepaid expense)	—	—	92	91	—	—	92	91
7 Security deposit	—	—	200	200	—	—	200	200
8 Remuneration payable								
- Ajay Bohora	—	—	—	—	5,600	10,000	5,600	10,000
- Anil Bohora	—	—	—	—	5,600	10,000	5,600	10,000



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:

(Currency: INR in '000)

Particulars	Units	2017-18	2016-17
Profit after tax	₹	870,719	654,747
Less: Dividend on preference shares and attributable tax thereon	₹	81	78
Profit after tax for basic EPS	₹	8,70,638	6,54,669
Weighted average number of equity shares for calculating basic earnings per share	Numbers	6,16,84,692	5,50,40,633
Face value of equity shares	₹	10	10
Basic earnings per share	₹	14.11	11.89
Profit after tax for diluted EPS		8,70,719	6,54,747
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	11,66,80,383	11,00,36,324
Face value of equity shares	₹	10	10
Diluted earnings per share	₹	7.46	5.95

i Weighted average number of shares outstanding during the year for diluted earnings per share:

Particulars	2017-18 Numbers	2016-17 Numbers
Weighted average number of shares of ₹ 10 each outstanding during the year - for calculating Basic Earnings Per Share	6,16,84,692	5,50,40,633
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	11,66,80,383	11,00,36,324

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	2017-18	2016-17
CRAR (%)	18.02	17.56
CRAR - Tier I capital (%)	10.32	10.48
CRAR - Tier II capital (%)	7.70	7.07
Amount of subordinated debt raised as Tier-II capital (₹)	10,00,000	—
Amount raised by issue of Perpetual Debt Instrument (₹)	5,00,000	—

* Pursuant to the RBI Inspection of the Company under Section 45 N of the RBI Act, 1934 in respect of the year ended 31 March 2017 and supervisory observations raised through its letter dated 1128/23.01.002/2017-18 dated 21 November 2017, management has evaluated the likely potential effect of the regulatory recommendation in the computation of its capital to risk assets ratio ('CRAR') in accordance with RBI circular no RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 1 September 2016. Whilst the CRAR ratio of the Company at 31 December 2017 was above the minimum requirement of 15%, considering the impact of the regulatory recommendation to the Tier I capital, the Company has since infused equity share capital i.e. Tier I capital amounting to Rs. 35 crores.



Notes forming part of the financial statements (Continued)

27.2 Investments

Items	2017-18	2016-17
1 Value of Investments		
i) Gross value of Investments	-	-
a) In India	-	-
b) Outside India	-	-
ii) Provision for Depreciation	-	-
a) In India	-	-
b) Outside India	-	-
iii) Net Value of Investments	-	-
a) In India	-	-
b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
i) Opening Balance	-	-
ii) Add : Provisions made during the year	-	-
iii) Less : Write-off / write-back of excess provisions during the year	-	-
iv) Closing Balance	-	-

27.3 The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India (IRDAI).

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

27.5 Asset Liability Management

The following table analyses the residual contractual maturity of certain items of assets and liabilities as on March 31, 2018:

(Currency: INR in '000)

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*	51,988	5,93,968	5,61,867	1,70,615	11,26,231	1,04,93,859	1,75,25,898	69,47,789	3,74,72,215
Foreign Currency liabilities	1,092	-	-	-	-	-	-	-	1,092
Assets									
Advances	5,96,702	5,90,534	5,83,555	17,37,804	34,20,482	1,36,30,210	1,13,79,748	1,05,92,274	4,25,31,309
Investments	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency assets	-	-	-	-	-	-	-	-	-

*Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 5,48,478 thousands.





Notes forming part of the financial statements (Continued)

The following table analyses the residual contractual maturity of certain items of assets and liabilities as on March 31, 2017:

(Currency: INR in '000)

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*	1,84,649	10,000	4,89,923	5,50,544	7,19,421	76,13,773	1,43,96,184	55,33,416	2,94,97,909
Foreign Currency liabilities	734	-	-	-	-	-	-	-	734
Assets									
Advances	4,78,953	4,74,050	4,68,386	13,81,300	26,42,202	1,03,83,586	86,58,522	86,48,790	3,31,35,789
Investments	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency assets	-	-	-	-	-	-	-	-	-

*Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 5,12,618 thousands.

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

27.6 Exposure to Real Estate Sector

(Currency: INR in '000)

Category	Current Year (2017-18) ₹	Previous Year (2016-17) ₹
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	Nil	1,48,26,200
(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	Nil	10,89,554
(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]	-	1,59,15,754

The primary purpose of the loan is for education. Considering the nature of business, the management believes that there is no direct/indirect exposure to real estate, hence the same has not been considered in current financial year.



Notes forming part of the financial statements (Continued)

27.7 Rating assigned by Credit rating agencies and migration of rating during the year:

Sr. No.	Rating Agency	Type	Current Year (2017-18)	Previous Year (2016-17)
1	CARE	Issuer Rating	CARE AA+ (Is)	CARE AA+ (Is)
		Perpetual Debt Instrument	CARE AA+	CARE AA
		Non-Convertible Debenture	CARE AAA	CARE AA+
		Subordinated Debt	CARE AAA	CARE AA+
2	ICRA	Commercial Paper	ICRA A1+	ICRA A1+
		Perpetual Debt Instrument	ICRA AA+	ICRA AA
3	CRISIL	Non-Convertible Debenture	CRISIL AAA	CRISIL AA+
		Commercial paper	CRISIL A1+	—
		Subordinated Debt	CRISIL AAA	CRISIL AA+

27.8 The Company does not have any capital market exposure.

27.9 The Company does not have any exposure to derivatives including forward rates agreements, interest rate swaps and exchange traded derivatives.

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

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

27.12 There is no financing of parent company product during the current year.

27.13 The Company has not exceeded single borrower limit (SGL) and nor has exceeded the group borrower limit (GBL).

27.14 The Company has not given any loans against intangible securities.

27.15 The Company has made no drawdown from existing reserves.

28. PROVISIONS AND CONTINGENCIES

(Currency: INR in '000)

Break up of 'Provisions and Contingencies' shown under the head Expenses in Statement of Profit and Loss	Current Year (2017-18) ₹	Previous Year (2016-17) ₹
Provisions for depreciation on investment	—	—
Provision towards NPA	448	2,305
Provision made towards tax expenses (net)	4,86,798	3,42,177
Other provision and contingencies (with details)		
Provision for employee benefits		
— Compensated absences	1,472	2,821
— Gratuity	5,799	4,190
Provision for standard assets	54,102	42,054


Notes forming part of the financial statements (Continued)

28.1 Concentration of advances, exposures and NPAs :

		(Currency: INR in '000)	
28.1.1 Concentration of Advances	Current Year (2017-18)	Previous Year (2016-17)	
	₹	₹	
Total Advances to twenty largest borrowers	1,67,949	1,79,534	
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.41%	0.54%	
		(Currency: INR in '000)	
28.1.2 Concentration of Exposures [on limit basis or outstanding basis whichever is higher]	Current Year (2017-18)	Previous Year (2016-17)	
	₹	₹	
Total Exposure to twenty largest borrowers / customers	4,17,000	4,02,300	
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the NBFC on borrowers / customers	0.74%	0.86%	
		(Currency: INR in '000)	
28.1.3 Concentration of NPAs	Current Year (2017-18)	Previous Year (2016-17)	
	₹	₹	
Total Exposure to top four NPA accounts	6,140	4,405	
28.1.4 Sector-wise NPAs			
Sr. Sector No.	Percentage of NPAs to Total Advances in that sector Current Year (2017-18)	Percentage of NPAs to Total Advances in that sector Previous Year (2016-17)	
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	0.04%	0.05%	





Notes forming part of the financial statements (Continued)

		(Currency: INR in '000)	
28.2	Movement of NPAs	Current Year (2017-18)	Previous Year (2016-17)
Sr. No.	Particulars	₹	₹
(i)	Net NPAs to net advances	0.02%	0.02%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	15,195	13,386
	(b) Additions during the year	36,278	6,436
	(c) Reductions during the year	(33,489)	(4,626)
	(d) Closing balance	17,984	15,195
(iii)	Movement of Net NPAs		
	(a) Opening balance	6,840	7,335
	(b) Additions during the year	30,158	5,476
	(c) Reductions during the year	(27,817)	(5,971)
	(d) Closing balance	9,181	6,840
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	8,355	6,050
	(b) Provisions made during the year	9,506	3,401
	(c) Write-off / write-back of excess provisions	(9,058)	(1,097)
	(d) Closing balance	8,803	8,355

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 (2017-18)	Previous Year (2016-17)
Sr. No.	Particulars		
a	No. of complaints pending at the beginning of the year	—	—
b	No. of complaints received during the year	94	112
c	No. of complaints redressed during the year	94	112
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 - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

Particulars	(Currency: INR in '000)			
	As at 31 March, 2018		As at 31 March, 2017	
Liabilities Side :	Amount Overdue	Amount Outstanding	Amount Overdue	Amount Overdue
1. Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:				
Outstanding				
(a) Debentures — Secured	1,33,51,671	—	93,73,646	—
— Unsecured	41,94,206	—	26,37,525	—
(Other than falling within the meaning of Public Deposit)				
(b) Deferred Credit	—	—	—	—
(c) Term Loan	1,52,88,774	—	1,02,25,227	—
(d) Inter - corporate loans and borrowing	—	—	—	—
(e) Commercial Paper	51,86,043	—	27,20,142	—
(f) Other Loan	—	—	—	—
(g) Book Overdraft	—	—	—	—
Asset Side :				
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
2. Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :				
(a) Secured	2,01,72,749	—	1,69,84,023	—
(b) Unsecured	2,23,58,560	—	1,61,60,058	—
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)

Particulars	As at 31 March, 2018	As at 31 March, 2017
(Currency: INR in '000)		
4. Break of Investments:		
Current Investments:		
1. <u>Quoted:</u>		
(i) Shares: (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and Bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government Securities	—	—
(v) Others (please specify)	—	—
2. <u>Unquoted:</u>		
(i) Shares : (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and Bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government Securities	—	—
(v) Others (please specify)	—	—
Long Term investments :		
1. <u>Quoted:</u>		
(i) Shares: (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and Bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government Securities	—	—
(v) Others (please specify)	—	—
2. <u>Unquoted:</u>		
(i) Shares : (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and Bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government Securities	—	—
(v) Others (please specify)	—	—




Notes forming part of the financial statements (Continued)

5. Borrower group-wise classification of assets financed as in (2) and (3) above : (Currency: INR in '000)

Category	As at 31 March, 2018 Amount net of provisions		As at 31 March, 2017 Amount net of provisions		Total
	Secured	Unsecured	Secured	Unsecured	
1. Related Parties					
(a) Subsidiaries	—	—	—	—	—
(b) Companies in the same group	—	—	—	—	—
(c) Other related parties	—	—	—	—	—
2. Other than Related Parties	2,01,72,749	2,23,58,560	1,69,79,740	1,61,49,146	3,31,28,886
Total	2,01,72,749	2,23,58,560	1,69,79,740	1,61,49,146	3,31,28,886

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

Category	Market Value / Break up or fair value or NAV		Book Value (Net of Provisions)		Book Value (Net of Provisions)
	Secured	Unsecured	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

Particulars	As at 31 March, 2018 Amount		As at 31 March, 2017 Amount	
	Secured	Unsecured	Secured	Unsecured
i) Gross Non Performing Assets	—	—	—	—
(a) Related Parties	—	—	—	—
(b) Other than Related Parties	17,984	15,195	—	—
ii) Net Non Performing Assets	—	—	—	—
(a) Related Parties	—	—	—	—
(b) Other than Related Parties	9,181	6,840	—	—
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:

(Currency: INR in '000)

Sr. No.	CSR project or activity	In cash (₹)	Yet to be paid in cash (₹)	Total (₹)
1	Promoting education for girl child, promoting gender equality and empowering women.	6,968	—	6,968
2	Treating the less fortunate children born with facial deformities like cleft lip and palate.	6,969	—	6,969
	Total	13,937	—	13,937

31. The Company does not have any contingent liabilities and capital commitments as on the balance sheet date.

32. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made since the requirement does not pertain to financial year ended 31 March 2018. Corresponding amounts as appearing in the audited financial statements for the period ended 31 March 2017 have been disclosed.

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*	73	404	477
5	Closing cash in hand as on 30.12.2016	—	—	—

* Deposited directly by customers against payment of EMI's as routine business activity.

33. For a better presentation of accounts alignment with industry practices the Company has made the following regroupings/reclassifications to previous year amounts:

- Split of Compensated absences and gratuity into long term and short term liability.
- In line with NBFC Master Directions, the loan balance has been presented on a gross basis without netting provisions against the value of loans and advances. Such provisions are shown under non-current liabilities.

As per our report of even date attached.

For and on behalf of Board of Directors of
HDFC Credila Financial Services Private Limited
(formerly known as Credila Financial Services Private Limited)
 CIN No: U67190MH2006PTC159411

Directors

For B S R & Co. LLP
 Chartered Accountants
 Firm's Regi. No: 101248W/W-100022

V.S. Rangan
 Chairman
 (DIN - 00030248)

Ajay Bohora
 Managing Director & CEO
 (DIN - 00694444)

Madhumita Ganguli
 Director
 (DIN - 00676830)

Akeel Master
 Partner
 Membership No: 046768

Subodh Salunke
 Director
 (DIN - 03053815)

Amitabh Chaudhry
 Director
 (DIN - 00531120)

Sudhin Choksey
 Director
 (DIN - 00036085)

Mumbai
 Date:- 25 April 2018

Sebastian Fernandez
 Chief Financial Officer
 (FCA: 112793)

Akanksha Kandoi
 Company Secretary
 (FCS: 6883)

