

**INDEPENDENT AUDITOR'S REPORT**

To the Members of IndoStar Capital Finance Limited

**Report on the Audit of the Consolidated Ind AS Financial Statements****Opinion**

We have audited the accompanying consolidated Ind AS financial statements of IndoStar Capital Finance Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2019, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<b>Transition to Ind AS accounting framework (as described in note 44 of the Consolidated Ind AS financial statements)</b>	
In accordance with the roadmap for implementation of Ind AS for non-banking financial companies, as announced by the Ministry of Corporate Affairs, the Group has adopted Ind AS from April 1, 2018 with an effective date of April 1, 2017 for such transition. For periods up to and including the year ended March 31, 2018, the Group had	Our audit procedures included: <ul style="list-style-type: none"> <li>Read the Ind AS impact assessment performed by the management to identify areas to be impacted on account of Ind AS transition.</li> </ul>



Key audit matters	How our audit addressed the key audit matter
<p>prepared and presented its financial statements in accordance with the erstwhile generally accepted accounting principles in India (Indian GAAP). In order to give effect of the transition to Ind AS these financial statements for the year ended March 31, 2019, together with the comparative financial information for the previous year ended March 31, 2018 and the transition date balance sheet as at April 1, 2017 have been prepared under Ind AS.</p> <p>The transition has involved significant change in the Group's policies and processes relating to financial reporting, including generation of reliable and supportable information.</p> <p>In view of the complexity arising from implementing the principles of Ind AS at the transition date, which could result in a misstatement in these Ind AS financial statements, this has been an area of key focus in our audit.</p>	<ul style="list-style-type: none"> <li>• Understood the financial statement closure process established by the Group for transition to Ind AS.</li> <li>• Read changes made to the accounting policies in light of the requirements of the new framework.</li> <li>• Assessed the judgement exercised by the management in applying the first-time adoption principles of Ind AS 101 especially in respect of fair valuation of assets and liabilities existing as at transition date.</li> <li>• Assessed the judgement applied by the Group in determining its business model for classification of financial assets.</li> <li>• Tested the accounting adjustments posted as at the transition date and in respect of the previous year to convert the financial information reported under erstwhile Indian GAAP to Ind AS.</li> <li>• Assessed disclosures included in the Ind AS financial statements in accordance with the requirements of Ind AS 101, with respect to the previous periods presented.</li> </ul>
<p><b>Impairment of financial asset (expected credit loss) (as described in note 26 of the Consolidated Ind AS financial statements)</b></p>	
<p>Ind AS 109 requires the Group to provide for impairment of its financial assets using the expected credit loss ('ECL') approach involving an estimation of probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Group's loans and advances. In the process, a significant degree of judgement has been applied by the management in respect of following matters:</p> <ol style="list-style-type: none"> <li>a) The Group has various loan products divided into corporate loan portfolio, SME loan portfolio, vehicle finance portfolio and home finance portfolio. SME, vehicle finance and home finance loans are grouped into different categories on the basis of homogeneity and thereby expected to demonstrate similar credit characteristics. Corporate loan portfolio is assessed on a case to case basis.</li> <li>b) Estimation of losses in respect of those groups of loans which had no/ minimal defaults in the past.</li> <li>c) Staging of loans and estimation of behavioral life.</li> <li>d) Management overlay for macro-economic factors and estimation of their impact on the credit quality.</li> </ol>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Reading the Group's accounting policies for impairment of financial instruments and assessing compliance with the policies in terms of Ind AS 109.</li> <li>• Assessed the assumptions used by the Group for grouping and staging of loan portfolio into various categories and default buckets and determining the probability-weighted default (PD) and loss-given default (LGD) rates.</li> <li>• Tested the operating effectiveness of the controls for staging of loans based on their past-due status. We also reviewed a sample of stage 1 and Stage 2 loans to assess whether any loss indicators were present requiring them to be classified under stage 2 or 3.</li> <li>• Performed sample testing to ascertain the completeness of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records.</li> <li>• Tested the arithmetical accuracy of computation of ECL provision performed by the Group.</li> <li>• Assessed the disclosures included in the Ind AS financial statements with respect to such allowance / estimate in accordance with the requirements of Ind AS 109 and Ind AS 107.</li> </ul>



Key audit matters	How our audit addressed the key audit matter
<p>The Group has developed models that derive key assumptions used within the provision calculation such as probability of default (PD) and loss given default (LGD). The output of these models is then applied to the provision calculation with other information including and the exposure at default (EAD).</p>	
<b>IT systems and controls</b>	
<p>We identified IT systems and controls over financial reporting as a key audit matter for the Holding Company because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.</p>	<p>Our audit procedures for the Holding Company included:</p> <ul style="list-style-type: none"> <li>• Tested the design and operating effectiveness of IT access controls over the information systems that are critical to financial reporting.</li> <li>• Tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.</li> <li>• Tested periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization.</li> <li>• In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.</li> </ul>

**Other Information**

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report and Management Discussion & Analysis, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Board of Directors for the Consolidated Ind AS Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from



material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

## **Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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 of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in "Annexure 1" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Holding Company and its subsidiaries incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Group does not have any pending litigations which would impact its consolidated financial position;
  - ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2019;



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

Chartered Accountants

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended March 31, 2019.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per Shrawan Jalan

Partner

Membership Number: 102102

Place of Signature: Mumbai

Date: May 20, 2019



**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF INDOSTAR CAPITAL FINANCE LIMITED**

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

In conjunction with our audit of the consolidated Ind AS financial statements of IndoStar Capital Finance Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of IndoStar Capital Finance Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements 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, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements 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 over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

**Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements 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 with reference to these consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or



timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements 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 Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Shrawan Jalan**

Partner

Membership Number: 102102

Place of Signature: Mumbai

Date: May 20, 2019





IndoStar Capital Finance Limited  
 Consolidated Balance sheet as at 31 March 2019  
 (Currency : Indian Rupees in Lakhs)

Particulars	Note	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>I. ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3			
Bank balances other than cash and cash equivalents	4	1,08,363.67	12,786.93	5,722.93
Receivables		3,558.59	-	813.58
Trade receivables				
Loans	5	53.10	-	-
Investments	6	10,36,366.88	5,90,042.87	5,05,358.54
Other financial assets	7	30,085.81	1,00,703.58	18,675.24
	8	5,027.51	521.62	173.14
		<b>11,83,455.56</b>	<b>7,04,055.00</b>	<b>5,30,743.43</b>
<b>Non-financial assets</b>				
Current tax assets (net)	9			
Deferred tax assets (net)	10	3,586.34	27.75	11.04
Property, plant and equipment	11	1,755.51	6,314.88	4,985.89
Capital work-in-progress		6,624.86	5,143.73	692.19
Goodwill		-	830.13	-
Intangible assets	12	30,018.69	-	-
Other non-financial assets	13	396.43	440.89	187.92
		4,177.99	2,569.03	1,688.25
		<b>46,559.82</b>	<b>15,326.41</b>	<b>7,565.29</b>
<b>TOTAL ASSETS</b>		<b>12,30,015.38</b>	<b>7,19,381.41</b>	<b>5,38,308.72</b>
<b>II. LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Financial liabilities</b>				
Trade payables	14			
(i) total outstanding to micro enterprises and small enterprises				
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		1,947.54	930.78	526.71
Debt securities	15			
Borrowings (other than debt securities)	16	3,48,957.06	2,44,956.99	1,81,314.90
Other financial liabilities	17	5,43,616.46	2,37,318.83	1,56,014.54
		32,635.66	26,816.39	15,222.09
		<b>9,28,156.72</b>	<b>5,10,023.59</b>	<b>3,53,078.24</b>
<b>Non-financial liabilities</b>				
Current tax liabilities (net)	18		923.04	1,040.64
Provisions	19	606.62	403.01	182.21
Other non-financial liabilities	20	623.76	558.99	60.96
		<b>1,230.38</b>	<b>1,835.04</b>	<b>1,283.81</b>
<b>TOTAL LIABILITIES</b>		<b>9,29,387.10</b>	<b>5,11,908.63</b>	<b>3,54,362.05</b>
<b>Equity</b>				
Equity share capital	21			
Other equity	22	9,225.74	7,867.93	7,836.18
<b>TOTAL EQUITY</b>		<b>9,225.74</b>	<b>7,867.93</b>	<b>7,836.18</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,30,015.38</b>	<b>7,19,381.41</b>	<b>5,38,308.72</b>

Significant Accounting Policies  
 As per our report of even date attached

For S R Batliboi & Co LLP  
 Chartered Accountants  
 ICAI Firm Registration No. 301605E/E300005

*[Signature]*  
 per Shrawan Jalar  
 Partner  
 Membership No. 10216



For and on behalf of the Board of Directors of  
 IndoStar Capital Finance Limited

*[Signature]*  
 R. Sridhar  
 Executive Vice-Chairman & CEO  
 DIN: 00136697

*[Signature]*  
 Dhanpal Jhaveri  
 Chairman  
 DIN: 02018124

*[Signature]*  
 Pankaj Chopar  
 Chief Financial Officer

*[Signature]*  
 Jitendra Bhatti  
 Company Secretary

Place: Mumbai  
 Date: 20 May 2019

Place: Mumbai  
 Date: 20 May 2019



*[Handwritten mark]*

IndoStar Capital Finance Limited  
 Consolidated statement of profit and loss for the year ended 31 March 2019  
 (Currency : Indian Rupees in Lakhs)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Revenue from operations:</b>	23		
Interest income		1,08,126.68	76,313.26
Fees and commission income		6,196.19	1,591.95
Net gain on fair value changes		4,175.21	986.01
Gain on derecognition of financial instruments measured at amortised cost category		2,064.67	-
<b>Total revenue from operations</b>		<b>1,20,562.75</b>	<b>78,891.22</b>
Other income	24	-	6.37
<b>Total income</b>		<b>1,20,562.75</b>	<b>78,897.59</b>
<b>Expenses</b>			
Finance cost	25	56,359.22	32,554.84
Impairment on financial instruments	26	1,624.78	(380.07)
Employee benefit expenses	27	14,941.91	10,652.87
Depreciation and amortization expenses	28	1,823.04	470.57
Other expenses	29	7,898.38	4,351.92
<b>Total expenses</b>		<b>82,647.33</b>	<b>47,650.13</b>
<b>Profit before tax</b>		<b>37,915.42</b>	<b>31,247.46</b>
<b>Tax expense:</b>	30		
1. Current tax		9,269.43	12,545.02
2. Deferred tax expense/(income)		4,566.51	(1,330.18)
<b>Total tax expenses</b>		<b>13,835.94</b>	<b>11,214.84</b>
<b>Profit after tax</b>		<b>24,079.48</b>	<b>20,032.62</b>
<b>Other comprehensive income</b>			
<u>Items that will not be reclassified to profit and loss</u>			
- Remeasurements of the defined benefit plans		(20.32)	3.44
- Income tax relating to items that will not be reclassified to profit or loss		7.14	(1.19)
<b>Other comprehensive income for the year, net of tax</b>		<b>(13.18)</b>	<b>2.25</b>
<b>Total comprehensive income for the year</b>		<b>24,066.30</b>	<b>20,034.87</b>
<b>Earnings per equity share</b>	31		
Basic earnings per share (₹)		26.63	25.47
Diluted earnings per share (₹)		26.07	22.98
(Equity Share of face value of ₹ 10 each)			

As per our report of even date attached

For S R Batliboi & Co LLP  
 Chartered Accountants  
 ICAI Firm Registration No. 301003E/E300005

Shrawan  
 per Shrawan Jalan  
 Partner  
 Membership No. 102102



For and on behalf of the Board of Directors of  
 IndoStar Capital Finance Limited

R. Sridhar  
 R. Sridhar  
 Executive Vice-Chairman & CEO  
 DIN: 00136697

Dhanpal Jhaveri  
 Chairman  
 DIN: 02018124

Pankaj Thapar  
 Pankaj Thapar  
 Chief Financial Officer

Vitendra Bhati  
 Vitendra Bhati  
 Company Secretary

Place: Mumbai  
 Date: 20 May 2019

Place: Mumbai  
 Date: 20 May 2019

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IndoStar Capital Finance Limited  
Consolidated Statement of Cash flows for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>A Cash Flow from Operating Activities</b>		
Net profit before tax	87,915.42	31,247.46
Adjustments for :		
Interest income on financial assets	(1,08,126.67)	(76,313.26)
Finance costs	56,359.22	32,554.84
Dividend income	-	(5.72)
Depreciation and amortisation expense	1,823.04	470.57
Provisions for expected credit loss	959.61	(756.47)
Provision for gratuity and leave encashment	187.46	107.29
Employee share based payment expense	1,118.54	2,491.24
Gain on sale/revaluation of investments	(4,175.21)	(986.01)
<b>Operating profit before working capital changes</b>	<b>(13,938.59)</b>	<b>(11,190.06)</b>
Adjustments:		
(Increase)/Decrease in trade receivables	(53.10)	-
(Increase)/Decrease in loans and advances	(2,31,263.09)	(84,760.92)
(Increase)/Decrease in other financial assets	(2,077.24)	(348.49)
(Increase)/Decrease in other non-financial assets	(1,608.93)	(880.79)
Increase/(Decrease) in trade payable	1,016.76	404.07
Increase/(Decrease) in other financial liabilities	5,692.68	11,594.88
Increase/(Decrease) in provisions	(24.15)	(8.76)
Increase/(Decrease) in other non-financial liabilities	64.78	498.02
	<b>(2,42,190.88)</b>	<b>(84,692.05)</b>
Interest income realised on financial assets	1,03,191.95	75,268.82
Finance costs paid	(56,359.21)	(32,554.84)
Dividend income realised	-	5.72
<b>Cash (used in)/generated from operating activities</b>	<b>(1,95,358.14)</b>	<b>(41,972.35)</b>
Taxes paid	(13,756.97)	(12,679.34)
<b>Net cash (used in)/generated from operating activities (A)</b>	<b>(2,09,115.11)</b>	<b>(54,651.69)</b>
<b>B Cash flows from Investing activities</b>		
Purchase of property, plant and equipment	(2,156.66)	(4,808.45)
Purchase of intangible assets	(194.59)	(366.63)
Payments for capital work in progress	-	(830.13)
Payment on acquisition of commercial vehicle loan business	(40,851.33)	-
Proceeds/(Investment) in bank deposits of maturity greater than 3 months (net)	(3,555.88)	800.00
(Acquisition)/redemption of amortised cost investments (net)	19,605.16	(10,514.25)
(Acquisition)/redemption of FVTPL investments (net)	53,192.57	(68,511.24)
<b>Net cash (used in)/generated from investing activities (B)</b>	<b>26,039.27</b>	<b>(84,230.70)</b>
<b>C Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares (including securities premium and net off of share issue expenses)	69,088.51	1,000.00
Proceeds from borrowings	2,01,717.80	1,53,857.97
Repayments towards borrowings	(96,041.84)	(72,553.67)
Proceeds from issuance of Non-Convertible Debentures	2,44,380.00	39,250.52
Repayments towards Non-Convertible Debentures	(42,523.37)	(32,401.19)
Proceeds from/(repayments towards) Commercial Papers (net)	(96,856.55)	56,792.76
Dividend and DDT paid	(1,111.97)	-
<b>Net cash (used in)/generated from financing activities (C)</b>	<b>2,78,652.58</b>	<b>1,45,946.39</b>
<b>Net Increase/(decrease) in cash and cash equivalents (A) + (B) + (C)</b>	<b>95,576.74</b>	<b>7,064.00</b>
Cash and Cash Equivalents at the beginning of the year	12,786.93	5,722.93
<b>Cash and Cash Equivalents at the end of the year</b>	<b>1,08,363.67</b>	<b>12,786.93</b>



IndoStar Capital Finance Limited  
 Consolidated Statement of Cash flows for the year ended 31 March 2019  
 (Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Reconciliation of cash and cash equivalents with the balance sheet</b>		
Cash on hand		
Balances with banks	217.26	0.03
- in current accounts		
Deposits with original maturity of less than 3 months	74,017.42	12,493.35
<b>Total</b>	<b>34,128.99</b>	<b>293.55</b>
	<b>1,08,363.67</b>	<b>12,786.93</b>

As per our report of even date attached

For S R Batliboi & Co LLP  
 Chartered Accountants  
 CAI Firm Registration No. 301003E/E300005



per Shirwan Jalan  
 Partner  
 Membership No. 102102

For and on behalf of the Board of Directors of  
 IndoStar Capital Finance Limited

R. Sridhar  
 R. Sridhar  
 Executive Vice-Chairman & CEO  
 DIN: 00136697



Dhanpal Jhaveri  
 Chairman  
 DIN: 02018124

Pankaj Thapar  
 Pankaj Thapar  
 Chief Financial Officer



Nitendra Phati  
 Company Secretary

Place: Mumbai  
 Date: 20 May 2019

Place: Mumbai  
 Date: 20 May 2019



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IndoStar Capital Finance Limited  
Consolidated Statement of Changes in Equity (SOCI) for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

(a) Equity share capital of face value of Rs.10/- each	Note	Amount
Balance as at 1 April 2017		7,836.18
Shares issued during the year		31.75
Balance as at 31 March 2018		7,867.93
Balance as at 31 March, 2018	21	7,867.93
Shares issued during the year		1,357.82
Balance as at 31 March 2019	21	9,225.75

(b) Other equity

Particulars	Reserves and surplus						Total
	Securities Premium Account	Statutory Reserves U/s 45-1C	Statutory Reserve U/s Section 29C	Capital Reserve	Share options outstanding account	Retained earnings	
Balance at 1 April 2017	1,02,467.58	16,091.72	8.53	0.43	3,093.81	54,448.92	1,76,110.49
Profit for the year	-	-	-	-	-	20,032.62	20,032.62
Gain/loss on re-measurement of defined benefit plans	-	-	-	-	-	2.25	2.25
Total comprehensive income	-	-	-	-	-	20,034.87	20,034.87
Transferred from Retained earnings	-	-	-	-	-	(4,711.55)	-
Share based payment expense	968.25	4,711.55	-	-	2,491.24	-	2,491.24
Shares issued during the year	-	-	-	-	-	-	968.25
Balance at 31 March 2018	1,03,435.83	20,802.77	8.53	0.43	5,585.05	69,772.24	1,99,604.85
Balance at 1 April, 2018	1,03,435.83	20,802.77	8.53	0.43	5,585.05	69,772.24	1,99,604.85
Profit for the year	-	-	-	-	-	24,079.48	24,079.48
Gain/loss on re-measurement of defined benefit plans	-	-	-	-	-	(13.18)	(13.18)
Total comprehensive income	-	-	-	-	-	24,066.30	24,066.30
Transferred from Retained earnings	-	-	-	-	-	(5,102.62)	-
Dividend and Dividend Distribution Tax	-	5,102.62	-	-	-	-	(1,111.97)
Share based payment expense	-	-	-	-	-	-	1,112.66
Shares issued during the year	67,730.70	-	-	-	1,112.66	-	67,730.70
Balance at 31 March 2019	1,71,166.53	25,905.39	8.53	0.43	6,697.71	87,623.95	2,91,402.54

As per our report of even date attached

For S R Batliboi & Co LLP  
Chartered Accountants  
(CAI Firm Registration No. 301003E/E300005)

per Shirwan Jalan,  
Partner  
Membership No. 102102

For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited

R. L. D. C.

R. Siddhar  
Executive Vice-Chairman & CEO  
DIN: 00136697

Dhruvpal Thaveri  
Chairman  
DIN: 02018134



Pankaj Thaper  
Chief Financial Officer  
Place: Mumbai  
Date: 20 May 2019

Place: Mumbai  
Date: 20 May 2019

Ujjendra Shastri  
Company Secretary



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## IndoStar Capital Finance Limited

### Notes to the consolidated financial statements for the year ended 31 March 2019

(Currency : Indian Rupees in Lakhs)

#### 1 Corporate Information

IndoStar Capital Finance Limited ('the Company' or 'ICFL') was incorporated on 21st July 2009 and is domiciled in India. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company vide Certificate No. N-13.02109. The Company together with its subsidiaries (collectively, the Group), is primarily engaged in lending activities.

Indostar Capital Finance Limited is engaged in business of lending to Corporates , Commercial Vehicle and SME businesses . The Company has two subsidiaries IndoStar Home Finance Private Limited which is engaged in housing finance business and IndoStar Asset Advisory Private Limited which is primarily engaged in business of investment advisory and asset management services

#### 2 Basis of Preparation, Basis for Consolidation and Significant accounting policies

##### 2.1.a Basis of Preparation

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

The consolidated financial statements up to year ended March 31, 2018 were prepared in accordance with the accounting standards notified under the Companies (Accounting Standard) Rules 2006, the directions issued by Reserve Bank of India (RBI) as applicable to Non Banking Finance Company (NBFC) and guidelines issued by the National Housing Bank (NHB) and other relevant provisions of the Act, considered as the "Previous GAAP".

These consolidated financial statements are the Company's first Ind AS consolidated financial statements and are covered by Ind AS 101, First-time adoption of Indian Accounting Standards. An explanation of how the transition to Ind AS has affected the Group's equity financial position, financial performance and its cash flows is provided in Note 44.

The consolidated financial statements for the year ended on 31 March 2019 with comparative figures for the year ended on 31 March 2018 and Ind AS opening balance sheet as on 1 April 2017 with their relevant notes and disclosures were adopted by the Company's Board of Directors on 20 May 2019.

##### 2.1.b Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. The Company consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent Company, i.e., year ended on 31 March.

##### Consolidation procedure:

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.



## 2.2 Presentation of financial statements

The Group presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities of the Group as on balance sheet dates, within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 41

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- the normal course of business
- the event of default
- the event of insolvency or bankruptcy of the Group or its counterparties

## 2.3 Significant Accounting Policies

### a) Financial Instruments

Financial assets and financial liabilities can be termed as financial instruments.

#### (i) Classification of Financial Instruments

The Group classifies its financial assets into the following measurement categories:

1. Financial assets to be measured at amortised cost
2. Financial assets to be measured at fair value through other comprehensive income
3. Financial assets to be measured at fair value through profit or loss account

The classification depends on the contractual terms of the financial assets' cash flows and the Group's business model for managing financial assets.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through the profit and loss account or is required to measure liabilities at fair value through profit or loss (FVTPL) such as derivative liabilities. Financial liabilities, other than loan commitments and financial guarantees, are measured at FVTPL when they are derivative instruments or the fair value designation is applied.

#### (ii) Assessment of business model and cash flows for financial assets

##### Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is assessed at portfolio level and not at instrument level, and is based on observable factors such as:

- (i) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- (ii) The risks that affect the performance of the business model and, in particular, the way those risks are managed;
- (iii) How managers of the business are compensated; and
- (iv) The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

#### Solely payment of principal and interest (SPPI) test

Subsequent to the assessment to the relevant business model of the financial assets, the Group assesses the contractual terms of financial assets to identify whether the cash flow realised are towards solely payment of principal and interest.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

#### (iii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value.

#### (iv) Classification of Financial Instruments as per business model and SPPI test

##### (a) Loans and Debt instruments at amortized cost

A 'loan or debt instrument' is measured at the amortized cost if both the following conditions are met:

- i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- ii) The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the profit or loss. The losses arising from impairment are recognized in the profit or loss.

##### (b) Bank balances and Trade Receivables

The Group measures bank balances and trade receivables at amortized cost. Trade receivables are measured at transaction price.



**(c) Financial assets at fair value through profit or loss**

Financial assets are those that are either held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met (such designation is determined on an instrument-by-instrument basis):

(i) The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis;

Financial assets at FVTPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in profit and loss.

**(d) Debt securities and other borrowed funds**

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

**(e) Financial guarantees**

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium/deemed premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit and Loss. The premium/deemed premium is recognised in the statement of Profit and Loss on a straight line basis over the life of the guarantee.

**(f) Loan commitments**

Loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Subsequent to initial recognition, the Group's liability under each loan commitment shall be recorded at the amount higher of (i) the amount initially recognised less the cumulative amortisation recognised in the Statement of Profit or Loss and (ii) the amount of loss allowance (within Provisions).

**(v) Reclassification of financial assets and liabilities**

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

**(vi) Derecognition of financial assets in following circumstances**

**(a) Derecognition of financial assets due to substantial modification of terms and conditions**

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit-impaired at the origination date.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

**(b) Derecognition of financial assets other than due to substantial modification**

**Financial assets**

A financial asset or a part of financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.



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#### (vii) Derecognition of Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

#### b) Fair Value Measurement

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Group measures certain categories of financial instruments as explained in note 32 at fair value on each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i. In the principal market for the asset or liability, or
- ii. In the absence of a principal market, in the most advantageous market for the asset or liability

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred, if any.

#### c) Property plant and equipments

##### Recognition and measurement

Property, Plant and Equipment (PPE) are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the year till such assets are ready to be put to use. Any trade discounts and rebates are deducted in arriving at the purchase price.

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

##### Subsequent expenditure

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate only if it is probable that the future economic benefits associated with the item will flow to the Group and that the cost of the item can be reliably measured. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repair and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

##### Depreciation

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life of the respective assets. The estimated useful life used to provide depreciation are as follows:

Particulars	Estimated useful life by the Group	Useful life as prescribed by Schedule II of the Companies Act 2013
Building	60 years	60 years
Computers	3 years	3 years
Office Equipments	5 years	5 years
Office Equipments - Mobiles	2 years	5 years
Furniture and fixtures	5 years	10 years
Servers and networks	5 years	6 years

Leasehold Improvement is amortised on Straight Line Method over the lease term, subject to a maximum of 60 months.



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

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

The useful lives and the method of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

**d) Intangible assets**

**Recognition and measurement**

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition

**Amortization**

Intangible assets are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life. The amortisation period and the amortisation method are reviewed at least as at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the statement of Profit and Loss.

**e) Business Combination and goodwill thereon**

Business combinations other than under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the value which is aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The identifiable assets acquired and the liabilities assumed are recognised at their fair values, as on date of acquisition. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

**Measurement**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. In case the excess is on account of bargain purchase, the gain is recognised directly in equity as capital reserve. When the transaction is of nature other than bargain purchase, then the gain is recognised in OCI and accumulated in equity as capital reserve.

**f) Impairment**

**(i) Financial Assets**

**(a) Expected Credit Loss (ECL) principles for Financial assets**

The Group records allowance for expected credit losses for all loans, other debt financial assets not held at FVTPL, together with undrawn loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Ind AS 109.

For the computation of ECL on the financial instruments, the Group categorises its financial instruments as mentioned below:

**Stage 1:** All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Group classifies all advances upto 30 days overdue under this category. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

**Stage 2:** All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Advances are termed as to have significant increase in credit risk when they are due for more than 30 days but do not exceed 90 days.

**Stage 3:** All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Advances where the amount remains due for 90 days or more are considered to be stage 3 assets.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group undertakes the classification of exposures within the aforesaid stages at borrower level.



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**(b) Calculation of ECL:**

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

**Exposure-At-Default (EAD) :** The Exposure at Default is the amount the Group is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

**Probability of Default (PD) :** The Probability of Default is an estimate of the likelihood of default of the exposure over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

**Loss Given Default (LGD) :** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

**12-month ECL:** 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

**Lifetime ECL:** Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

The Group computes the ECL allowance on either individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group has grouped its loan portfolio into Corporate loans, SME loans, Commercial vehicle loans and Home loans

**ECL on Trade Receivables:**

The Group applies the simplified approach for computation of ECL on trade receivables as allowed as per Ind AS 109. Thus, the Group is recognising lifetime ECL for trade receivables.

**(ii) Financial Liabilities**

**(a) Loan commitments**

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Undrawn loan commitments are in the scope of the ECL requirements.

**(b) Financial guarantee contracts**

The Group's liability under financial guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit and loss, and the ECL provision. For this purpose, the Group estimates ECLs by applying a credit conversion factor. The ECLs related to financial guarantee contracts are recognised within Provisions. Currently, the Group has not recognised any ECL in respect of financial guarantee based on estimate of expected cash flows.

**(iii) Non-financial assets**

**(a) Intangible assets**

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised when the carrying amount of an individual asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value of the asset less cost of its disposal and value in use. In determining the fair value, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the time value of money and risks specific to the asset.

**(b) Goodwill**

Goodwill is recorded at the cost less any accumulated impairment losses in the previous years. Goodwill on acquisition is tested for impairment where the same allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit (CGU) to which goodwill has been allocated is tested for impairment on annual basis or whenever required in case where the Group is of the opinion that goodwill may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. Such impairment loss already recognised for goodwill is not reversed in subsequent periods.



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**g) Recognition of income**

Revenue generated from the business transactions (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration to be received or receivable by the Group. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The Group recognises revenue from contracts with customers based on a five step model as set out in Ind 115:

**Step 1:** Identify contract(s) with a customer

**Step 2:** Identify performance obligations in the contract

**Step 3:** Determine the transaction price

**Step 4:** Allocate the transaction price to the performance obligations in the contract

**Step 5:** Recognise revenue when (or as) the Group satisfies a performance obligation

**(a) Recognition of interest income**

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination fees and transaction costs that are an integral part of the EIR.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group recognised the interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial status of the financial asset improves and it no longer remains to be a credit-impaired, the Group revises the application of interest income on such financial asset to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net gain on fair value changes.

**(b) Dividend income**

Dividend income is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

**(c) Syndication, advisory & other fees**

Syndication, advisory & other fees are recognized as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

**(d) Origination fees**

Origination fees, which the Group has received/recovered at time of granting of a loan, is considered as a component for computation of the effective rate of interest (EIR) for the purpose of computing interest income.

**(e) Management Fees:**

Management fees and other fees are recognized as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

**(f) Assignment income**

Assignment income is recognised on upfront basis by discounting the future excess interest spread.

**(g) Net gain/(loss) on Fair value changes**

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Group on the balance sheet date is recognised as an unrealised gain or loss as a gain or expense respectively.

Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain / loss on fair value changes.

**h) Finance Costs**

The Company recognises interest expense on the borrowings as per EIR methodology which is calculated by considering any ancillary costs incurred and any premium payable on its maturity.

**i) Retirement and other employee benefits**

**(i) Defined Contribution Plan**

**Provident Fund**

All the employees of the Group are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Group contribute monthly at a stipulated rate. The Group has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense, when an employee renders the related service.



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## **(ii) Defined Benefit schemes**

### **(a) Gratuity**

The Group provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Group accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other comprehensive income ('OCI') in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

### **(b) Leave Encashment**

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method as at the reporting date. Actuarial gains/losses are immediately taken to Statement of profit and loss account and are not deferred.

## **j) Share based employee payments**

### **Equity settled share based payments**

The stock options granted to employees are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

## **k) Leasing**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

### **Group as a lessee**

Leases that do not transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased items are treated as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

## **l) Foreign currency translation**

### **Functional and presentational currency**

The financial statements are presented in INR which is also functional currency of the Group and the currency of the primary economic environment in which the Group operates.

## **m) Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on 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.

## **n) Taxes**

### **(i) Current tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



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## (ii) Minimum alternate tax

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

## (iii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## o) Earnings Per Share

The Group reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the diluted earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

## p) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

## q) Segment reporting

The Company is primarily engaged in the business of financing and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating segment.

## 2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires that the management of the Group makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, allowance for doubtful debts/advances, future obligations in respect of retirement benefit plans, provision for rectification costs, fair value measurement etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

## 2.5 Standards issued but not yet effective

Ind AS 116 Leases replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company is in the process of analysing the impact of new lease standard on its financial statements.



IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>Note 3</b>			
<b>Cash and cash equivalents</b>			
Cash on hand	217.26	0.03	0.27
Balances with banks			
- in current accounts	74,017.42	12,493.35	4,692.72
Deposits with original maturity of less than three months	34,128.99	293.55	1,029.94
	<u>1,08,363.67</u>	<u>12,786.93</u>	<u>5,722.93</u>
<b>Note 4</b>			
<b>Bank balances other than cash and cash equivalents</b>			
Deposits with original maturity of more than three months	-	-	813.58
Earmarked deposits with banks	3,558.59	-	-
	<u>3,558.59</u>	<u>-</u>	<u>813.58</u>
<b>Note 5</b>			
<b>Trade receivables</b>			
Receivables considered good - Unsecured	53.10	-	-
	<u>53.10</u>	<u>-</u>	<u>-</u>
<b>Note 6</b>			
<b>Loans</b>			
<b>At amortized cost</b>			
<b>Business Loans</b>			
Corporate lending	4,61,431.08	4,34,308.16	4,57,818.05
Small and medium enterprises lending (SME)	1,79,088.43	1,45,502.93	56,428.28
Commercial vehicle lending	3,70,571.38	13,082.60	-
Home Loans	52,961.00	5,105.29	-
<b>Total - Gross</b>	<b>10,64,051.89</b>	<b>5,97,998.98</b>	<b>5,14,246.33</b>
Less: Impairment allowance	(27,685.01)	(7,956.11)	(8,887.79)
<b>Total - Net</b>	<b>10,36,366.88</b>	<b>5,90,042.87</b>	<b>5,05,358.54</b>
(a) Secured by tangible assets	10,31,669.08	5,40,870.98	4,31,246.33
(b) Unsecured	32,382.81	57,128.00	83,000.00
<b>Total - Gross</b>	<b>10,64,051.89</b>	<b>5,97,998.98</b>	<b>5,14,246.33</b>
Less: Impairment allowance	(27,685.01)	(7,956.11)	(8,887.79)
<b>Total - Net</b>	<b>10,36,366.88</b>	<b>5,90,042.87</b>	<b>5,05,358.54</b>
<b>Loans in India</b>			
(a) Public sector	-	-	-
(b) Others	10,64,051.89	5,97,998.98	5,14,246.33
<b>Total - Gross</b>	<b>10,64,051.89</b>	<b>5,97,998.98</b>	<b>5,14,246.33</b>
Less: Impairment allowance	(27,685.01)	(7,956.11)	(8,887.79)
<b>Total - Net</b>	<b>10,36,366.88</b>	<b>5,90,042.87</b>	<b>5,05,358.54</b>
<b>Loans outside India</b>			
<b>Total - Net (a)+(b)</b>	<b>10,36,366.88</b>	<b>5,90,042.87</b>	<b>5,05,358.54</b>

Impairment allowance as on 31 March 2019 includes INR 20,200 Lakhs on account of acquisition of commercial vehicle loan portfolio.



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Indostar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Note 7  
Investments

Investments as on 31-March-2019

Particulars	Amortised cost	Fair value through profit or loss	Total
Mutual funds	-	30,085.81	30,085.81
<b>Total - Gross</b>	-	<b>30,085.81</b>	<b>30,085.81</b>
Investments in India	-	30,085.81	30,085.81
Investments outside India	-	-	-
<b>Total - Gross</b>	-	<b>30,085.81</b>	<b>30,085.81</b>
Less: Impairment loss allowance	-	-	-
<b>Total - Net</b>	-	<b>30,085.81</b>	<b>30,085.81</b>

Investments as on 31-March-2018

Particulars	Amortised cost	Fair value through profit or loss	Total
Mutual funds	-	26,084.33	26,084.33
Debt instruments	-	55,052.27	55,052.27
Pass through certificates	19,661.08	-	19,661.08
<b>Total - Gross</b>	<b>19,661.08</b>	<b>81,136.60</b>	<b>1,00,797.68</b>
Investments in India	19,661.08	81,136.60	1,00,797.68
Investments outside India	-	-	-
<b>Total - Gross</b>	<b>19,661.08</b>	<b>81,136.60</b>	<b>1,00,797.68</b>
Less: Impairment loss allowance	(94.10)	-	(94.10)
<b>Total - Net</b>	<b>19,566.98</b>	<b>81,136.60</b>	<b>1,00,703.58</b>

Investments as on 1-April-2017

Particulars	Amortised cost	Fair value through profit or loss	Total
Mutual funds	-	9,206.16	9,206.16
Equity instruments	-	399.75	399.75
Pass through certificates	9,112.97	-	9,112.97
<b>Total - Gross</b>	<b>9,112.97</b>	<b>9,605.91</b>	<b>18,718.88</b>
Investments in India	9,112.97	9,605.91	18,718.88
Investments outside India	-	-	-
<b>Total - Gross</b>	<b>9,112.97</b>	<b>9,605.91</b>	<b>18,718.88</b>
Less: Impairment loss allowance	(43.64)	-	(43.64)
<b>Total - Net</b>	<b>9,069.33</b>	<b>9,605.91</b>	<b>18,675.24</b>





IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>Note 8</b>			
<b>Other financial assets</b>			
Security deposit	888.51	521.62	173.14
Assignment receivables	4,139.00	-	-
	<u>5,027.51</u>	<u>521.62</u>	<u>173.14</u>
<b>Note 9</b>			
<b>Current tax assets (net)</b>			
Advance Tax (net of provision)	3,586.34	27.75	11.04
	<u>3,586.34</u>	<u>27.75</u>	<u>11.04</u>
<b>Note 10</b>			
<b>Deferred tax assets (net)</b>			
<b>Deferred Tax Assets</b>			
Provision for expected credit loss	2,296.73	2,297.16	2,805.67
Provision for gratuity	58.59	30.33	13.75
Provision for leave encashment	55.38	25.14	13.90
Interest on the NPA Loans not accrued in books	-	252.93	320.73
Diminution in value of investments	-	69.56	-
Fair valuation of ESOPS	863.35	863.35	-
EIR on loans	1,367.93	2,970.62	2,152.12
Fair valuation of security deposits	-	2.38	0.96
Fixed asset: Impact of difference between tax depreciation and depreciation /amortization charged for financial reporting year	130.70	-	-
<b>Total (A)</b>	<u>4,772.68</u>	<u>6,511.47</u>	<u>5,307.13</u>
<b>Deferred tax liability</b>			
Fixed asset: Impact of difference between tax depreciation and depreciation /amortization charged for financial reporting year	-	(15.71)	(13.12)
Goodwill amortisation	(1,311.22)	-	-
Fair valuation of security deposits	(0.30)	-	-
Assignment income booked upfront	(637.03)	-	-
EIR on borrowings	(1,068.62)	(180.88)	(308.12)
<b>Total (B)</b>	<u>(3,017.17)</u>	<u>(196.59)</u>	<u>(321.24)</u>
<b>Net deferred tax asset (A-B)</b>	<u>1,755.51</u>	<u>6,314.88</u>	<u>4,985.89</u>



B

**Indostar Capital Finance Limited**  
**Notes to the consolidated financial statements for the year ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 11**  
**Property, plant and equipment**

Changes in the carrying value of property, plant and equipment for the year ended 31 March 2019:

Particulars	Land - Freehold*	Buildings	Furniture and fixtures	Leasehold Improvement	Office equipment	Computers	Total
<b>Deemed Cost as at 1 April 2017</b>	<b>15.05</b>	-	16.36	315.77	70.28	274.73	<b>692.19</b>
Additions	-	1,050.30	716.28	1,981.35	393.25	763.26	4,904.44
Disposals	-	-	-	(153.19)	(0.13)	-	(153.32)
<b>Cost as at 31 March 2018</b>	<b>15.05</b>	<b>1,050.30</b>	<b>732.64</b>	<b>2,143.93</b>	<b>463.40</b>	<b>1,037.99</b>	<b>5,443.31</b>
Additions	-	-	15.84	2,047.07	123.68	878.52	3,065.11
Disposals	-	-	-	-	-	-	-
<b>Cost as at 31 March 2019 (A)</b>	<b>15.05</b>	<b>1,050.30</b>	<b>748.48</b>	<b>4,191.00</b>	<b>587.08</b>	<b>1,916.51</b>	<b>8,508.42</b>
<b>Accumulated depreciation as at 1 April 2017</b>	-	-	-	-	-	-	-
Depreciation charged during the year	-	3.17	5.54	180.50	24.44	143.26	356.91
Disposals	-	-	-	(57.30)	(0.03)	-	(57.33)
<b>Accumulated depreciation as at 31 March 2018</b>	-	<b>3.17</b>	<b>5.54</b>	<b>123.20</b>	<b>24.41</b>	<b>143.26</b>	<b>299.58</b>
Depreciation charged during the year	-	17.54	8.46	971.77	58.96	527.25	1,583.98
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 31 March 2019 (B)</b>	-	<b>20.71</b>	<b>14.00</b>	<b>1,094.97</b>	<b>83.37</b>	<b>670.51</b>	<b>1,883.56</b>
<b>Net carrying amount as at 31 March 2019 (A) - (B)</b>	<b>15.05</b>	<b>1,029.59</b>	<b>734.48</b>	<b>3,096.03</b>	<b>503.71</b>	<b>1,246.00</b>	<b>6,624.86</b>
<b>Net carrying amount as at 31 March 2018</b>	<b>15.05</b>	<b>1,047.13</b>	<b>727.10</b>	<b>2,020.73</b>	<b>438.99</b>	<b>894.73</b>	<b>5,143.73</b>
<b>Net carrying amount as at 1 April, 2017</b>	<b>15.05</b>	-	<b>16.36</b>	<b>315.77</b>	<b>70.28</b>	<b>274.73</b>	<b>692.19</b>

\* Mortgaged as security against Secured Non-convertible Debentures

The Company has availed the deemed cost exemption available under Ind AS 101 in relation to the property plant and equipment on the date of transition (1 April 2017) and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated depreciation on 1 April 2017 under the previous GAAP.

Particulars	Land - Freehold*	Buildings	Furniture and fixtures	Leasehold Improvement	Office equipment	Computers	Total
Gross Block	15.05	-	45.52	516.42	99.02	383.62	1,059.63
Accumulated Depreciation	-	-	29.16	200.65	28.74	108.89	367.44
<b>Net Block</b>	<b>15.05</b>	-	<b>16.36</b>	<b>315.77</b>	<b>70.28</b>	<b>274.73</b>	<b>692.19</b>

\* Mortgaged as security against Secured Non-convertible Debentures



**Note 12**  
**Intangible assets**

Changes in the carrying value of intangibles for the year ended 31 March 2019:

Particulars	Computer Software	Total
Deemed Cost as at 1 April 2017	187.92	187.92
Additions	366.63	366.63
Disposals	-	-
<b>Cost as at 31 March 2018</b>	<b>554.55</b>	<b>554.55</b>
Additions	213.36	213.36
Disposals	(21.80)	(21.80)
<b>Cost as at 31 March 2019 (A)</b>	<b>746.11</b>	<b>746.11</b>
Accumulated amortisation as at 1 April 2017	-	-
Amortisation recognised for the year	113.66	113.66
Disposals	-	-
<b>Accumulated amortisation as at 31 March 2018</b>	<b>113.66</b>	<b>113.66</b>
Amortisation recognised for the year	239.05	239.05
Disposals	(3.03)	(3.03)
<b>Accumulated amortisation as at 31 March 2019 (B)</b>	<b>349.68</b>	<b>349.68</b>
<b>Net carrying amount as at 31 March 2019 (A)- (B)</b>	<b>396.43</b>	<b>396.43</b>
<b>Net carrying amount as at 31 March 2018</b>	<b>440.89</b>	<b>440.89</b>
<b>Net carrying amount as at 1 April, 2017</b>	<b>187.92</b>	<b>187.92</b>

The Company has availed the deemed cost exemption available under Ind AS 101 in relation to the intangible assets on the date of transition (1 April 2017) and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated amortisation on 1 April, 2017 under the previous GAAP.

Particulars	Computer Software	Total
Gross Block	300.81	300.81
Accumulated amortisation / impairment	112.89	112.89
<b>Net Block</b>	<b>187.92</b>	<b>187.92</b>



IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>Note 13</b>			
<b>Other non-financial assets</b>			
Prepaid expenses	935.62	1,303.81	1,518.87
Advances recoverable in cash or in kind or for value to be received	3,242.37	1,265.22	169.38
	<u>4,177.99</u>	<u>2,569.03</u>	<u>1,688.25</u>

<b>Note 14</b>			
<b>Trade payables</b>			
Dues to Others	1,947.54	930.78	526.71
	<u>1,947.54</u>	<u>930.78</u>	<u>526.71</u>

<b>Note 15</b>			
<b>Debt securities</b>			
<b>At amortised cost</b>			
Redeemable non convertible debentures (Refer note (a) below)	3,20,840.52	1,18,983.90	1,12,134.57
Commercial paper (net of unamortised discount) repayable within next twelve months	29,116.54	1,25,973.09	69,180.33
	<u>3,49,957.06</u>	<u>2,44,956.99</u>	<u>1,81,314.90</u>
Debt securities in India	3,49,957.06	2,44,956.99	1,81,314.90
Debt securities outside India	-	-	-
<b>Total</b>	<u>3,49,957.06</u>	<u>2,44,956.99</u>	<u>1,81,314.90</u>
Secured	3,20,840.52	1,18,983.90	1,12,134.57
Unsecured	29,116.54	1,25,973.09	69,180.33
<b>Total</b>	<u>3,49,957.06</u>	<u>2,44,956.99</u>	<u>1,81,314.90</u>



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IndoStar Capital Finance Limited

Notes to the consolidated financial statements for the year ended 31 March 2019

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
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(a) Non Convertible Debenture

Privately placed Redeemable Non Convertible Debentures of Rs. 10,00,000/- each

Terms of repayment as on March 31, 2019

Redeemable within	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
	Rate of interest	Rate of interest	Rate of interest
	>= 0% < 11.40%	>= 0% < 11.40%	>= 0% < 11.55%
	Amount	Amount	Amount
Above 60 Months	-	1,500.00	1,500.00
48-60 Months	26,500.00	500.00	5,000.00
36-48 Months	35,000.00	16,700.00	10,000.00
24-36 Months	99,080.00	28,500.00	35,695.08
12-24 Months	46,000.00	30,913.65	40,716.76
0-12 Months	1,14,260.52	40,870.25	19,222.73
<b>Total</b>	<b>3,20,840.52</b>	<b>1,18,983.90</b>	<b>1,12,134.57</b>

Nature of Security:

1. Security is created in favour of the Debenture Trustee, as follows:

- first pari-passu (with banks and financial institutions providing credit facilities to the Issuer) charge on by way of hypothecation on the standard asset portfolio of receivables of Rs. 3,29,215.80 Lakhs (March 2018: Rs. 1,24,329.20 Lakhs; April 2017: Rs. 1,19,320.20 Lakhs); and
- first pari-passu charge on immovable property situated at village Maharajpura of Kadi taluka, Mehsana district, Gujarat

2. Debentures may be bought back subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the Company.

Note 16

Borrowings

At amortised cost:

Term loans

Term loans from banks (Refer note (a) below)

Repo instrument \*

Loans repayable on demand

Working capital demand loans from banks \*\*

Bank overdrafts \*\*

Other borrowings (including Inter Corporate Deposits)

Total

Borrowings in India

Borrowings outside India

Total

Secured borrowings

Unsecured borrowings

Total

3,12,488.64	1,76,986.13	1,46,539.81
-	14,742.64	-
15,000.00	22,500.00	-
12,579.78	14,251.70	9,474.73
2,03,548.04	8,838.36	-
<b>5,43,616.46</b>	<b>2,37,318.83</b>	<b>1,56,014.54</b>
<b>5,43,616.46</b>	<b>2,37,318.83</b>	<b>1,56,014.54</b>
-	-	-
<b>5,43,616.46</b>	<b>2,37,318.83</b>	<b>1,56,014.54</b>
3,40,068.42	2,28,480.47	1,56,014.54
2,03,548.04	8,838.36	-
<b>5,43,616.46</b>	<b>2,37,318.83</b>	<b>1,56,014.54</b>

(a) Term loan from banks (TL):

Terms of repayment:

Redeemable within	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
	Rate of interest	Rate of interest	Rate of interest
	> =8.65% < 11.20%	> =8.10% < 9.95%	> =8.75% < 10.75%
	Amount	Amount	Amount
Above 60 Months	1,000.00	1,175.00	-
48-60 Months	21,776.50	7,751.11	5,500.00
36-48 Months	38,770.75	21,201.47	18,800.69
24-36 Months	72,479.70	36,903.72	32,833.22
12-24 Months	91,155.67	54,052.36	41,015.44
0-12 Months	87,306.02	55,902.47	48,390.46
<b>Total</b>	<b>3,12,488.64</b>	<b>1,76,986.13</b>	<b>1,46,539.81</b>

\* secured by pledge of investments in bonds

\*\* secured by First pari-passu charge by way of hypothecation on the standard asset portfolio



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IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>Note 17</b>			
<b>Other financial liabilities</b>			
Book overdraft	8,997.37	7,264.53	5,108.02
Interest accrued but not due on borrowings	12,599.34	6,067.73	7,615.03
Employee benefits payable	2,886.73	2,259.20	1,701.32
Others	8,152.22	11,225.53	797.72
	<u>32,635.66</u>	<u>26,816.99</u>	<u>15,222.09</u>

<b>Note 18</b>			
<b>Current tax liabilities (net)</b>			
Provision for tax (net of advance tax)	-	923.04	1,040.64
	<u>-</u>	<u>923.04</u>	<u>1,040.64</u>

<b>Note 19</b>			
<b>Provisions</b>			
Provision for employee benefits:			
- Gratuity	410.71	94.50	39.74
- Leave encashment	173.91	80.48	40.15
Others :			
- Expected credit loss on undrawn loan commitments	22.00	228.03	102.32
	<u>606.62</u>	<u>403.01</u>	<u>182.21</u>

<b>Note 20</b>			
<b>Non-financial liabilities</b>			
Statutory dues payable	623.76	558.99	60.96
	<u>623.76</u>	<u>558.99</u>	<u>60.96</u>



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IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees In Lakhs)

Note 21

Equity share capital

a. Details of authorised, issued and subscribed share capital

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	Amount	Number	Amount	Number	Amount
Authorised capital						
Equity shares of ₹10/- each	11,00,00,000	11,000.00	11,00,00,000	11,000.00	9,00,00,000	9,000.00
Issued, subscribed and fully paid up						
Equity shares of ₹10/- each fully paid	9,22,57,415	9,225.74	7,86,79,259	7,867.93	7,83,61,799	7,836.18
<b>Total</b>	<b>9,22,57,415</b>	<b>9,225.74</b>	<b>7,86,79,259</b>	<b>7,867.93</b>	<b>7,83,61,799</b>	<b>7,836.18</b>

b. Reconciliation of number of shares at the beginning and at the end of the year

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	Amount	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	7,86,79,259	7,867.93	7,83,61,799	7,836.18	7,33,54,429	7,335.44
Add: Shares issued during the year	1,35,78,156	1,357.82	3,17,460	31.75	50,07,370	500.74
Less: Shares bought back during the year	-	-	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>9,22,57,415</b>	<b>9,225.75</b>	<b>7,86,79,259</b>	<b>7,867.93</b>	<b>7,83,61,799</b>	<b>7,836.18</b>

c. Particulars of shares held by holding Company

Name of shareholder	Relationship	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
		No of equity shares held	Percentage	No of equity shares held	Percentage	No of equity shares held	Percentage
Indostar Capital (Mauritius)	Holding Company	5,25,94,228	57.01%	7,11,02,635	90.37%	7,11,02,635	90.74%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

d. Particulars of shareholders holding more than 5% of the share capital

Name of shareholder	Relationship	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
		No of equity shares held	Percentage	No of equity shares held	Percentage	No of equity shares held	Percentage
Indostar Capital (Mauritius)	Holding Company	5,25,94,228	57.01%	7,11,02,635	90.37%	7,11,02,635	90.74%
SBI Equity Hybrid Fund	-	72,21,936	7.83%	-	-	-	-

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

e. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

f. Objective for managing capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local regulator, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.



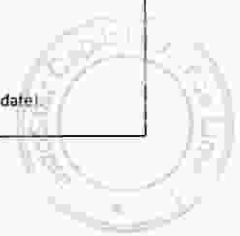
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IndoStar Capital Finance Limited

Notes to the consolidated financial statements for the year ended 31 March 2019

(Currency : Indian Rupees in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017	
<b>Note 22</b>				
<b>Other equity</b>				
Capital Reserve	0.43	0.43	0.43	
Statutory reserves u/s 45-IC of The RBI Act, 1934	25,905.39	20,802.77	16,091.22	
Statutory reserves u/s 29C of the National Housing Bank Act, 1987	8.53	8.53	8.53	
Securities premium reserve	1,71,166.53	1,03,435.83	1,02,467.58	
Share options outstanding account	5,697.71	5,585.05	3,093.81	
Retained earnings	87,623.95	69,772.24	54,448.92	
	<b>2,91,402.54</b>	<b>1,99,604.85</b>	<b>1,76,110.49</b>	
<b>22.1 Other equity movement</b>				
<b>Capital Reserve</b>				
Opening Balance	0.43	0.43	0.43	
Add : Transferred from surplus	-	-	-	
Closing Balance	<b>0.43</b>	<b>0.43</b>	<b>0.43</b>	
<b>Statutory reserves u/s 45-IC of The RBI Act, 1934</b>				
Opening Balance	20,802.77	16,091.22	11,910.46	
Add : Transferred from surplus	5,102.62	4,711.55	4,180.76	
Closing Balance	<b>25,905.39</b>	<b>20,802.77</b>	<b>16,091.22</b>	
<b>Statutory reserves u/s 29C of the National Housing Bank Act, 1987</b>				
Opening Balance	8.53	8.53	-	
Add : Transferred from surplus	-	-	8.53	
Closing Balance	<b>8.53</b>	<b>8.53</b>	<b>8.53</b>	
<b>Securities premium reserve</b>				
Opening Balance	1,03,435.83	1,02,467.58	87,952.66	
Add : Premium collected on share allotment	67,730.70	968.25	14,514.92	
Closing Balance	<b>1,71,166.53</b>	<b>1,03,435.83</b>	<b>1,02,467.58</b>	
<b>Share options outstanding account</b>				
Opening Balance	5,585.05	3,093.81	3,093.81	
Movement during the year	1,112.66	2,491.24	-	
Closing Balance	<b>6,697.71</b>	<b>5,585.05</b>	<b>3,093.81</b>	
<b>Retained earnings</b>				
Opening Balance	69,772.24	54,448.92	37,558.67	
Add: Remeasurement of defined benefit plan/obligations	(13.18)	2.25	-	
Add: Transferred from the statement of profit and loss	24,079.48	20,032.62	21,079.54	
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	(5,102.62)	(4,711.55)	(4,180.76)	
Less: Transfer to statutory reserves u/s 29C of the National Housing Bank Act, 1987	-	-	(8.53)	
Less: Appropriation towards dividend and dividend distribution tax	(1,111.97)	-	-	
Closing Balance	<b>87,623.95</b>	<b>69,772.24</b>	<b>54,448.92</b>	
<b>22.2 Nature and purpose of reserves</b>				
<b>Capital Reserve</b>				
Capital reserve comprises of the amount received on shares forfeited by the Company on non-payment of call money.				
<b>Statutory reserves u/s 45-IC of The RBI Act, 1934</b>				
Statutory reserves fund is required to be created by a Non-Banking Financial Company as per Section 45-IC of the Reserve Bank of India Act, 1934. The Company is not allowed to use the reserve fund except with authorisation of Reserve Bank of India.				
<b>Statutory reserves u/s 29C of the National Housing Bank Act, 1987</b>				
Statutory reserves fund is required to be created by Housing Finance Company as per Section 29C of the National Housing Bank of India Act, 1987. The Company is not allowed to use the reserve fund except with authorisation of Reserve Bank of India.				
<b>Securities premium reserve</b>				
Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.				
<b>Share options outstanding account</b>				
The shares options outstanding account is used to recognise the grant date fair value of options issued to employees under stock option schemes of the Company.				
<b>Retained earnings</b>				
Retained earnings represents accumulated surplus of the accumulated earnings of the Company and which are available for distribution to shareholders.				
<b>22.3 Dividend paid and proposed</b>				
Particulars	Rate of Dividend (%)	Dividend per share (Rs.)	Amount (excl. Dividend distribution tax) (Rs.)	Amount (incl. Dividend distribution tax) (Rs.)
<b>Declared and paid during the year</b>				
Interim dividend for the financial year FY 2018-19	10%	1.00	922.37	1,111.97
<b>Proposed dividend as on balance sheet date</b>				
Final dividend for the financial year FY 2018-19	10%	1.00	922.57	1,112.21
Proposed dividend is subject to approval of shareholders at the Annual General Meeting of the Company (not recognised as liability as on balance sheet date)				



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IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Note 23</b>		
<b>Revenue from operations</b>		
<b>Interest income on financial assets measured at amortised cost:</b>		
<b>Interest on loans</b>		
- Loan portfolio	1,05,352.40	71,727.16
<b>Interest on investments</b>		
- Investments in PTCs	825.25	817.80
- Debt instruments	1,568.46	3,589.70
<b>Interest on deposits</b>		
- Deposits with banks	380.57	178.60
	<u>1,08,126.68</u>	<u>76,313.26</u>
<b>Fees and commission income</b>		
- Management fee	27.82	59.55
- Syndication, advisory & other fees	6,168.37	1,532.40
	<u>6,196.19</u>	<u>1,591.95</u>
<b>Net gain on fair value changes</b>		
<b>Net gain/(loss) on financial instruments at fair value through profit or loss</b>		
<b>On trading portfolio</b>		
- Investments	4,175.21	986.01
<b>Total fair value changes</b>	<u>4,175.21</u>	<u>986.01</u>
<b>Fair value changes:</b>		
- Realised	4,089.40	1,148.13
- Unrealised	85.81	(162.12)
<b>Total fair value changes</b>	<u>4,175.21</u>	<u>986.01</u>
<b>Gain on derecognition of financial instruments measured at amortised cost category</b>		
- Assignment Income	2,064.67	-
	<u>2,064.67</u>	<u>-</u>
<b>Total</b>	<u>1,20,562.75</u>	<u>78,891.22</u>

<b>Note 24</b>		
<b>Other income</b>		
Dividend income	-	5.72
Miscellaneous income	-	0.65
	<u>-</u>	<u>6.37</u>

<b>Note 25</b>		
<b>Finance cost</b>		
<b>Interest expense on financial liabilities measured at amortised cost:</b>		
<b>Interest expense on borrowings</b>		
Loans from banks	24,193.45	13,833.84
Interest On REPO Instruments	37.96	141.77
Other borrowings (Including Inter Corporate Deposits)	671.62	153.82
<b>Interest expense on debt securities</b>		
Debentures	24,422.93	9,442.69
Commercial paper	6,474.55	8,318.94
<b>Other interest expense</b>		
Security deposits	-	55.75
Bank charges & other related costs	558.71	608.03
	<u>56,359.22</u>	<u>32,554.84</u>



IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Note 26</b>		
<b>Impairment on financial instruments at amortised cost</b>		
<b>Impairment on loans</b>		
Provision for expected credit loss	1,243.99	(932.65)
Debts written off (net of recovery)	665.17	376.40
<b>Impairment on investments</b>		
Pass through certificates	(94.10)	50.47
<b>Impairment on others</b>		
Undrawn loan commitments	(206.03)	125.71
Others	15.75	-
	<u>1,624.78</u>	<u>(380.07)</u>

<b>Note 27</b>		
<b>Employee Benefits Expenses</b>		
Salaries, other allowances and bonus	13,128.65	7,818.60
Gratuity expenses	76.97	55.70
Leave encashment	110.49	51.59
Contribution to provident and other funds	399.22	158.41
Staff welfare expenses	108.04	77.33
Share based payment expense	1,118.54	2,491.24
	<u>14,941.91</u>	<u>10,652.87</u>

<b>Note 28</b>		
<b>Depreciation</b>		
Depreciation of property, plant and equipment	1,583.99	356.91
Amortisation of intangible assets	239.05	113.66
	<u>1,823.04</u>	<u>470.57</u>



IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Note 29</b>		
<b>Other Expenses</b>		
Rent	1,760.16	771.60
Rates & taxes	63.38	143.74
Printing and stationery	157.18	72.14
Travelling & conveyance	687.53	295.89
Advertisement	202.09	918.28
Business Promotion	26.12	32.50
Commission & brokerage	240.84	14.95
Office expenses	2,339.06	581.00
Directors' fees & commission	75.86	72.91
Insurance	178.00	49.81
Communication expenses	478.88	160.40
Payment to auditors (note below)	79.09	53.75
CSR expenses (note below)	200.11	174.83
Legal & professional charges	1,353.59	795.33
Loss on sale of fixed assets (net)	18.77	93.97
Membership & subscriptions	10.21	115.45
Other shared service costs recovered	27.51	5.37
	<b>7,898.38</b>	<b>4,351.92</b>
<b>Payment to auditor includes:</b>		
a) as statutory auditors	54.43	37.76
b) as tax auditors	5.13	3.27
c) for certification related matters	9.81	5.18
d) for other services	9.72	7.54
<b>Total</b>	<b>79.09</b>	<b>53.75</b>
<b>Details for expenditure on Corporate Social Responsibility:</b>		
a) Gross amount required to be spent during the year	649.08	559.20
b) Amount spent during the year:		
- Expenses paid in cash	200.11	174.83
- Expenses yet to be paid for	-	-
<b>Total</b>	<b>200.11</b>	<b>174.83</b>
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	200.11	174.83
<b>Total</b>	<b>200.11</b>	<b>174.83</b>



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Note 30  
Income taxes

Tax expense

(a) Amounts recognised in statement of profit and loss

	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Current tax expense</b>		
Current year	9,269.43	12,545.02
	<u>9,269.43</u>	<u>12,545.02</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	4,566.51	(1,330.18)
	<u>4,566.51</u>	<u>(1,330.18)</u>
<b>Tax expense for the year</b>	<b>13,835.94</b>	<b>11,214.84</b>

(b) Amounts recognised in other comprehensive income

	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of the defined benefit liability (asset)	7.14	(1.19)
<b>Tax expense for the year</b>	<b>7.14</b>	<b>(1.19)</b>

(c) Reconciliation of effective tax rate

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Profit before tax</b>	<b>37,915</b>	<b>31,247</b>
Statutory income tax rate	34.944%	34.608%
Expected income tax expense	13,249	10,814
<b>Difference in tax rate due to:</b>		
- Effect of non-deductible expenses	37.39	40.65
- Effect of non-taxable income	-	(1.98)
- Effect of b/f loss set off in current year	(30.04)	35.71
- Effect of current year loss c/f	566.25	364.46
- Effect of different tax rates for subsidiaries	(28.92)	1.67
- Effect of inter-Company transactions	(52.41)	-
- Others	(5.49)	(39.79)
<b>Total tax expense</b>	<b>13,835.94</b>	<b>11,214.84</b>
	<u>36.49%</u>	<u>35.89%</u>
<b>Current tax</b>	<b>9,269.43</b>	<b>12,545.02</b>
<b>Deferred tax</b>	<b>4,566.51</b>	<b>(1,330.18)</b>
	<u>13,835.94</u>	<u>11,214.84</u>



Note 30  
Income Taxes

(d) Movement in deferred tax balances

Particulars	Net balance 1 April 2018	Recognised in profit or loss	Recognised in OCI	Others (Equity)	31 March 2019		
					Net deferred tax asset/liability	Deferred tax asset	Deferred tax liability
<b>Deferred Tax Assets</b>							
Provision for expected credit loss	2,297.16	(0.43)	-	-	2,296.73	2,296.73	-
Provision for gratuity	30.33	21.12	7.14	-	58.59	58.59	-
Provision for leave encashment	25.14	30.24	-	-	55.38	55.38	-
Interest on the NPA Loans not accrued in books	252.93	(252.93)	-	-	-	-	-
Diminution in value of investments	69.56	(69.56)	-	-	-	-	-
Fair valuation of ESOPS	863.35	-	-	-	863.35	863.35	-
EIR on loans	2,970.62	(1,602.69)	-	-	1,367.93	1,367.93	-
EIR on borrowings	(180.88)	(887.74)	-	-	(1,068.62)	-	(1,068.62)
Fair valuation of security deposits	2.38	(2.68)	-	-	(0.30)	-	(0.30)
<b>Deferred tax liability</b>							
Fixed asset: Impact of difference between tax depreciation and depreciation /amortization charged for financial reporting year	(15.71)	146.41	-	-	130.70	130.70	-
Goodwill amortisation	-	(1,311.22)	-	-	(1,311.22)	-	(1,311.22)
Assignment income booked upfront	-	(637.03)	-	-	(637.03)	-	(637.03)
<b>Tax assets (Liabilities)</b>	<b>6,314.88</b>	<b>(4,566.51)</b>	<b>7.14</b>	<b>-</b>	<b>1,755.51</b>	<b>4,772.68</b>	<b>(3,017.17)</b>

(e) Movement in deferred tax balances

Particulars	Net balance 1 April 2017	Recognised in profit or loss	Recognised in OCI	Others (Equity)	31 March 2018		
					Net deferred tax asset/liability	Deferred tax asset	Deferred tax liability
<b>Deferred Tax Assets</b>							
Provision for expected credit loss	2,805.67	(508.51)	-	-	2,297.16	2,297.16	-
Provision for gratuity	13.75	17.77	(1.19)	-	30.33	30.33	-
Provision for leave encashment	13.90	11.24	-	-	25.14	25.14	-
Interest on the NPA Loans not accrued in books	320.73	(67.80)	-	-	252.93	252.93	-
Diminution in value of investments	-	69.56	-	-	69.56	69.56	-
Fair valuation of ESOPS	-	863.35	-	-	863.35	863.35	-
EIR on loans	2,152.12	818.50	-	-	2,970.62	2,970.62	-
EIR on borrowings	(308.12)	127.24	-	-	(180.88)	-	(180.88)
Fair valuation of security deposits	0.96	1.42	-	-	2.38	2.38	-
<b>Deferred tax liability</b>							
Fixed asset: Impact of difference between tax depreciation and depreciation /amortization charged for financial reporting year	(13.12)	(2.59)	-	-	(15.71)	-	(15.71)
<b>Tax assets (Liabilities)</b>	<b>4,985.89</b>	<b>1,330.18</b>	<b>(1.19)</b>	<b>-</b>	<b>6,314.88</b>	<b>6,511.47</b>	<b>(196.59)</b>

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income tax, deferred income tax assets and liabilities and recoverability of deferred income tax assets. The recoverability of deferred income tax assets is based on estimates of taxable income and the period over which deferred income tax assets will be recovered. Any changes in future taxable income would impact the recoverability of deferred tax assets.



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IndoStar Capital Finance Limited  
 Notes to the consolidated financial statements for the year ended 31 March 2019  
 (Currency : Indian Rupees in Lakhs)

Note 31  
 Earnings per share (EPS)

Basic EPS calculated by dividing the net profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders (after adjusting profit impact of dilutive potential equity shares, if any) by the aggregate of weighted average number of equity shares outstanding during the year and the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
i. Profit attributable to equity holders (A) Profit attributable to equity holders for basic and diluted EPS	24,079.48	20,032.62
ii. Weighted average number of equity shares for calculating Basic EPS (B)	9,04,30,065	7,86,47,078
iii. Weighted average number of equity shares for calculating Diluted EPS (C)	9,23,77,939	8,71,68,302
iii. Basic earnings per share (₹)	26.63	25.47
iv. Diluted earnings per share (₹)	26.07	22.98



Note 32

Financial Instruments – Fair values

A. Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using a valuation technique.

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

Particulars	As at 31 March 2019							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual funds	30,085.81	-	-	30,085.81	30,085.81	-	-	30,085.81
(b) Investments in Security Receipts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30,085.81</b>	<b>-</b>	<b>-</b>	<b>30,085.81</b>	<b>30,085.81</b>	<b>-</b>	<b>-</b>	<b>30,085.81</b>

Particulars	As at 31 March 2018							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual funds	26,084.33	-	-	26,084.33	26,084.33	-	-	26,084.33
(b) Investments in Bonds	55,052.27	-	-	55,052.27	55,052.27	-	-	55,052.27
(c) Investment in Pass through certificates	-	-	19,566.98	19,566.98	-	-	19,566.98	19,566.98
<b>Total</b>	<b>81,136.60</b>	<b>-</b>	<b>19,566.98</b>	<b>1,00,703.58</b>	<b>81,136.60</b>	<b>-</b>	<b>19,566.98</b>	<b>1,00,703.58</b>

Particulars	As at 1 April 2017							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
<b>Investments</b>								
(A) Investments in Mutual funds (At Net Asset Value)	9,206.16	-	-	9,206.16	9,206.16	-	-	9,206.16
(B) Investment in Bonds (Quoted)	399.75	-	-	399.75	399.75	-	-	399.75
(C) Compulsory convertible preference shares	-	-	9,069.34	9,069.34	-	-	9,069.34	9,069.34
	<b>9,605.91</b>	<b>-</b>	<b>9,069.34</b>	<b>18,675.25</b>	<b>9,605.91</b>	<b>-</b>	<b>9,069.34</b>	<b>18,675.25</b>

The management has assessed that the carrying amounts of cash and cash equivalents, loans carried at amortised cost, investments in pass-through-certificates, other financial assets, trade payables, borrowings, bank overdrafts and other current liabilities are a reasonable approximation to their fair value.

B. Fair value hierarchy

Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to un-adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to un-observable inputs (Level 3 measurements). The three levels of the fair-value-hierarchy under Ind AS 107 are described below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities included in level 3.



**IndoStar Capital Finance Limited**  
**Notes to the consolidated financial statements for the year ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 32**

**Financial instruments – Fair values and Risk management (continued)**

**Financial risk management**

The Group has exposure to the following risks from financial instruments:

- (a) credit risk;
- (b) liquidity risk;
- (c) market risks; and
- (d) operational risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing, implementing and monitoring Company's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of risk management controls and procedures. The observations, management action plans and adherence to those action plans are reported to Audit Committee from time to time.

**(A) Credit risk**

'Credit risk' is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and investment debt securities.

**Management of credit risk**

The Company has put in place well defined product programs with credit policy parameters defining the credit appetite for each product. The credit policy gets administered through credit underwriting managers for each product across branches. In order to retain the independence of the credit function, functional reporting of the credit managers is separated from sales. The Company has put in place review mechanisms to identify and measure credit risk arising out of customer acceptance as well as credit behaviour. Further, collections teams are responsible for managing credit impaired customers with usage of appropriate tools including negotiations, legal actions and recovery proceedings. The Company has put in place a collections policy defining the role and responsibilities of collections function. The Company has also put in place mechanisms to identify Early Warning Signals (EWS) and take appropriate actions to address the concerns arising out of EWS.

**Write off policy**

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. Any subsequent recoveries are credited to impairment on financial instrument in statement of profit and loss.

**Credit quality analysis**

The Company's policies for computation of expected credit loss are set out below:



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**IndoStar Capital Finance Limited**  
**Notes to the consolidated financial statements for the year ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 32**

**Financial Instruments – Fair values and Risk management (continued)**

**(a) ECL on loans and advances**

ECL is computed for loans and investments portfolio of the Company.

The loans and advances portfolio comprises of the following:

- (i) Corporate lending
- (ii) Small and medium enterprises lending (SME)
- (iii) Commercial vehicle lending
- (iv) Home Loans

Investments measured at amortised cost is subjected to ECL (for example, pass through certificates)

**Staging criteria**

Following staging criteria is used for Loans and NCDs :

- (i) standard and 0 - 30 days past due (DPD) as stage I;
- (ii) 31- 90 DPD as Stage II; and
- (iii) outstanding > 90 DPD as stage III.

**Probability of Default (PD%)**

The 12 month PD% is computed as follows:

In the case of Corporate lending and SME lending portfolio, the PD% is computed based on average percentage of PD for past financial years namely 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18. In the case of Commercial Vehicle lending, the PD% is computed on the basis of available credit bureau scores and empirically observed default rates against clustered score ranges.

**Loss Given Default (LGD%)**

LGD has been applied on the basis of past observable trend of recoveries from the defaulted assets.

The following factors have been considered for computation of LGD:

- (i) Time to recovery - Time taken to recover the dues
- (ii) Amount recovered - Amount recovered against total dues (including interest accrued thereon along with any charges due)

**Exposure at Default (EAD)**

The current outstanding balance of loans as on 31st March 2019, 31st March 2018 and 1st April 2017 are considered for ECL computation purpose.

**(b) Undrawn exposure**

In case of ECL on Undrawn exposure, the EAD is computed after considering Credit Conversion Factor (CCF) of 50% (Percentage as prescribed by RBI) and 12 month ECL is computed for all undrawn commitments pertaining to stage 1 assets considering PD% and LGD% of the respective categories of loans and advances.



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IndoStar Capital Finance Limited  
 Notes to the consolidated financial statements for the year ended 31 March 2019  
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Note 32

Financial instruments – Fair values and Risk management (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Particulars	31 March 2019			Total
	Stage 1	Stage 2	Stage 3	
Financial assets measured at amortised cost				
Loans	9,48,010.16	88,264.18	27,777.55	10,64,051.89
Investments	-	-	-	-
<b>Total</b>	<b>9,48,010.16</b>	<b>88,264.18</b>	<b>27,777.55</b>	<b>10,64,051.89</b>

Particulars	31 March 2018			Total
	Stage 1	Stage 2	Stage 3	
Financial assets measured at amortised cost				
Loans	5,84,100.60	4,466.24	9,432.14	5,97,998.98
Investments	19,661.08	-	-	19,661.08
<b>Total</b>	<b>6,03,761.68</b>	<b>4,466.24</b>	<b>9,432.14</b>	<b>6,17,660.06</b>

Particulars	1 April 2017			Total
	Stage 1	Stage 2	Stage 3	
Financial assets measured at amortised cost				
Loans	4,93,648.70	979.20	19,618.43	5,14,246.33
Investments	9,112.97	-	-	9,112.97
<b>Total</b>	<b>5,02,761.67</b>	<b>979.20</b>	<b>19,618.43</b>	<b>5,23,359.30</b>



**IndoStar Capital Finance Limited**  
**Notes to the consolidated financial statements for the year ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 32**

**Financial Instruments – Fair values and Risk management (continued)**

**An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances and Investment debt securities is as follows:**

Particulars	2018-19			2017-18				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	6,03,761.68	4,466.24	9,432.14	6,17,660.06	5,02,761.67	979.20	19,618.43	5,23,359.30
New assets originated or purchased*	7,81,008.92	59,444.50	21,665.91	8,62,119.33	5,60,352.26	-	-	5,60,352.26
Assets derecognised or repaid (excluding write offs)	(4,06,324.79)	(1,378.09)	(7,359.47)	(4,15,062.35)	(4,53,072.44)	(5,19.68)	(12,082.98)	(4,65,675.10)
Transfers to stage 1	389.71	(389.71)	-	-	-	-	-	-
Transfers to stage 2	(27,549.64)	27,589.01	(139.36)	0.01	(4,466.24)	4,466.24	-	-
Transfers to stage 3	(3,167.34)	(1,417.13)	4,584.48	0.01	(1,632.30)	(459.52)	2,091.82	-
Amounts written off (net of recovery)	(108.38)	(150.64)	(406.15)	(665.17)	(181.27)	-	(195.13)	-
<b>Gross carrying amount closing balance</b>	<b>9,48,010.16</b>	<b>88,264.18</b>	<b>27,777.55</b>	<b>10,64,051.89</b>	<b>6,03,761.68</b>	<b>4,466.24</b>	<b>9,432.14</b>	<b>6,17,660.06</b>

\* Includes amount of business loans acquired on account of business combination

**Reconciliation of ECL balance is given below:**

Particulars	2018-19			2017-18				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	4,379.77	206.59	3,463.85	8,050.21	4,872.26	63.19	3,995.98	8,931.43
New assets originated or purchased*	22,036.73	5,740.02	9,565.80	37,342.55	29,090.95	-	-	29,090.95
Assets derecognised or repaid (excluding write offs)	(14,264.39)	(47.02)	(2,239.53)	(16,550.94)	(27,719.76)	(24.04)	(978.37)	(28,722.17)
Changes to models and inputs used	(2,033.79)	(16.13)	(646.70)	(2,696.62)	(1,837.97)	(17.90)	5.75	(1,850.12)
Transfers to stage 1	16.62	(16.62)	-	-	-	-	-	-
Transfers to stage 2	(67.99)	106.83	(38.84)	-	(18.29)	18.29	-	-
Transfers to stage 3	(14.90)	(60.43)	75.33	-	(6.68)	(21.25)	27.94	0.01
Impact on year end ECL of exposures transferred between stages during the year	(15.13)	421.34	1,254.01	1,660.22	-	188.30	457.87	646.17
Amounts written off (net of recovery)	(0.80)	(6.42)	(113.19)	(120.41)	(0.74)	-	(45.32)	(46.06)
<b>ECL allowance - closing balance</b>	<b>10,036.12</b>	<b>6,328.16</b>	<b>11,320.73</b>	<b>27,685.01</b>	<b>4,379.77</b>	<b>206.59</b>	<b>3,463.85</b>	<b>8,050.21</b>

\* Includes amount of ECL on business loans acquired on account of business combination



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**IndoStar Capital Finance Limited**  
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**Note 32**

**Financial Instruments – Fair values and Risk management (continued)**

**(B) Liquidity risk**

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances.

Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on regular basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group

**Maturity profile of undiscounted cash flows for financial liabilities as on balance sheet date have been provided below:**

**As on 31 March 2019**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	1,947.54	-	-	-	1,947.54
Debt securities	48,577.85	1,26,041.48	2,46,814.48	-	4,21,433.81
Borrowings (other than debt securities)	1,03,193.50	2,56,834.42	2,61,090.39	918.93	6,22,037.24
Other financial liabilities	19,993.09	-	-	-	19,993.09
<b>Total</b>	<b>1,73,711.98</b>	<b>3,82,875.90</b>	<b>5,07,904.87</b>	<b>918.93</b>	<b>10,65,411.68</b>

**As on 31 March 2018**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	1,000.03	-	-	-	1,000.03
Debt securities	1,22,438.86	58,116.65	89,899.78	1,671.00	2,72,120.29
Borrowings (other than debt securities)	69,151.83	60,797.65	1,27,963.59	1,175.00	2,59,088.07
Other financial liabilities	20,748.16	-	-	-	20,748.16
<b>Total</b>	<b>2,13,338.88</b>	<b>1,18,914.30</b>	<b>2,17,857.37</b>	<b>2,846.00</b>	<b>5,52,956.55</b>

**As on 1 April 2017**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	423.90	-	-	-	423.90
Debt securities	60,545.61	40,209.29	1,08,757.81	1,842.00	2,11,354.71
Borrowings (other than debt securities)	23,294.68	46,945.76	1,10,075.07	-	1,80,315.51
Other financial liabilities	7,607.07	-	-	-	7,607.07
<b>Total</b>	<b>91,871.26</b>	<b>87,155.05</b>	<b>2,18,832.88</b>	<b>1,842.00</b>	<b>3,99,701.19</b>



*PS*

Note 32

Financial instruments – Fair values and risk management (continued)

(C) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates. The Group primarily deploy funds in bank deposits and liquid debt securities as a part of its liquidity management approach. The Group regularly reviews its average borrowing/lending cost including proportion of fixed and floating rate borrowings/loans so as to manage the impact of changes in interest rates.

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. The Group monitors on a regular basis to ensure positions are maintained within the established limits.

(D) Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include maker-checker controls, effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.



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**IndoStar Capital Finance Limited**  
**Notes to the consolidated financial statements for the year ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 33**

Related Party Disclosures, as required by Indian Accounting Standard 24 (Ind AS 24) are given below:

**A. Relationships –**

**Holding Company**

Indostar Capital (Mauritius)

**Names of other related parties with whom the Group had transactions during the year:**

**Key Managerial Personnel**

R. Sridhar - Executive Vice-Chairman & CEO  
 Vimal Bhandari - Executive Director (till 30 April 2017)  
 Shailesh Shirali - Wholetime Director (till 28 January 2018)  
 Bobby Parikh - Non-Executive Independent Director  
 Ravi Narain - Non-Executive Independent Director (till 9th January 2018)  
 Eric Schwartz - Non-Executive Independent Director (till 5 February 2018)  
 D. Sivanandhan - Non-Executive Independent Director (till 5 February 2018)  
 Dinesh Kumar Mehrotra - Non-Executive Independent Director (from 5 February 2018)  
 Hemant Kaul - Non-Executive Independent Director (from 5 February 2018)  
 Naina Krishna Murthy - Non-Executive Independent Director (from 5 February 2018)

**B) Transactions with Key Management Personnel :**

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
1) Short-term employee benefits	550.00	501.90
2) Commission and sitting fees to Non-Executive Independent Directors	75.86	62.91
3) Reimbursement of expenses	0.10	4.87
4) Investment in share capital (including securities premium)	-	1,000.00
5) Dividend Paid	3.17	-

Compensation of the Company's key managerial personnel includes salaries, non-cash benefits and contributions to post-employment defined benefit plan.



IndoStar Capital Finance Limited

Notes to the consolidated financial statements for the year ended 31 March 2019

(Currency : Indian Rupees in Lakhs)

Note 34

Set out below is the disaggregation of the revenue from contracts with customers

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Type of Services or service</b>		
Syndication, advisory & other fees	6,168.37	1,532.40
Management fee	27.82	59.55
<b>Total revenue from contracts with customers</b>	<b>6,196.19</b>	<b>1,591.95</b>
<b>Geographical markets</b>		
India	6,196.19	1,591.95
Outside India	-	-
<b>Total revenue from contracts with customers</b>	<b>6,196.19</b>	<b>1,591.95</b>
<b>Timing of revenue recognition</b>		
Services transferred at a point in time	6,196.19	1,591.95
Services transferred over time	-	-
<b>Total revenue from contracts with customers</b>	<b>6,196.19</b>	<b>1,591.95</b>

Contract balances

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Trade receivable	53.10	-	-

Note 35

Contingent liabilities and Commitments

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>Contingent liabilities</b>			
Corporate guarantee given by Company to banks	5,972.06	7,665.24	6,290.80
<b>Capital commitments:</b>			
Estimated amount of contracts remaining to be executed on capital account	-	1,212.62	-
Loans sanctioned not yet disbursed	1,11,691.14	85,443.63	31,244.05

In February 2019, the honorable Supreme Court of India in its judgment clarified that certain special allowances should be considered to measure obligations under Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the PF Act). There are interpretative challenges on the application of judgment retrospectively and as such same has not been considered as contingent liability.

Note 36

Leases

In case of assets taken on lease

The Group has taken various office premises under operating lease. The lease payments recognized in the statement of profit & loss are Rs. 1,760.16 lakhs (March 2018: Rs.771.60 lakhs). The Company is not involved in any sub leases contracts.

The future minimum lease payments in respect of non-cancellable operating lease as at the balance sheet date are summarized below

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>Minimum Lease Payments:</b>			
Not later than one year	1,381.48	872.47	522.70
Later than one year but not later than five years	2,895.09	2,750.28	1,691.10
Later than five years	112.92	-	-

Note 37

Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises, as no supplier has intimated the Group about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

Particulars	As at 31 March 2019	As at 31 March 2018
a. Principal and interest amount remaining unpaid	-	-
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-

Note 38

Gratuity and other post-employment benefit plans:

The Group has an funded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service.

Based on Ind AS 19 'Employee Benefits' notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, the following disclosures have been made as required by the standard:

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>A. Amount recognised in the balance sheet</b>			
Present value of the obligation as at the end of the year	414.06	97.60	65.87
Fair value of plan assets as at the end of the year	3.35	3.10	26.13
<b>Net asset / (liability) to be recognized in the balance sheet</b>	<b>410.71</b>	<b>94.50</b>	<b>39.74</b>



IndoStar Capital Finance Limited

Notes to the consolidated financial statements for the year ended 31 March 2019

(Currency : Indian Rupees in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
<b>B. Change in projected benefit obligation</b>			
Projected benefit (of obligation) at the beginning of the year	97.60	65.87	51.87
Current service cost	72.08	35.41	14.30
Past service cost	-	18.09	-
Interest cost	7.06	4.20	3.89
Benefits paid	(7.07)	(22.99)	(12.49)
Addition on account of business combination	226.00	-	-
Actuarial (gain) / loss on obligation	18.39	(3.58)	6.30
<b>Projected benefit obligation at the end of the year</b>	<b>414.06</b>	<b>97.60</b>	<b>65.87</b>
<b>C. Change in plan assets</b>			
Fair value of plan assets at the beginning of the year	3.10	26.13	33.43
Return on plan assets	2.18	2.00	3.01
Actuarial gain/(loss)	(1.93)	(0.13)	(0.31)
Benefits paid	-	(24.90)	(10.00)
<b>Fair value of plan assets at the end of the year</b>	<b>3.35</b>	<b>3.10</b>	<b>26.13</b>
<b>D. Amount recognised in the statement of profit and loss</b>			
Current service cost	72.08	35.41	
Past service cost and loss/(gain) on curtailments and settlement	-	18.09	
Net interest cost	4.89	2.20	
<b>Expenses recognised in the statement of profit and loss</b>	<b>76.97</b>	<b>55.70</b>	
<b>E. Amount recognised in other comprehensive income</b>			
Actuarial (gains) / loss			
- change in financial assumption	(1.52)	(2.91)	
- experience variation	19.91	(0.66)	
Return on plan assets, excluding amount recognised in net interest expense	1.93	0.13	
	<b>20.32</b>	<b>(3.44)</b>	
<b>F. Assumptions used</b>			
	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Discount rate	7.60%	7.50%	7.10%
Salary growth rate	6.00%	6.00%	6.00%
Withdrawal rates	10% at younger ages reducing to 6% at older ages	10% at younger ages reducing to 6% at older ages	10% at younger ages reducing to 5% at older ages

**G. Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at 31 March 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	180.77	195.85	93.95	101.49
Salary growth rate (0.5% movement)	193.53	182.72	99.71	95.58
Withdrawal rate (10% movement)	188.16	187.72	98.44	96.63

**H. Other information**

- Plans assets comprises 100% of insurance funds
- The expected contribution for the next year is Rs. 76.20 Lakhs
- The average outstanding term of the obligations as at valuation date is 8.68 years.





IndoStar Capital Finance Limited

Notes to the consolidated financial statements for the year ended 31 March 2019

(Currency : Indian Rupees in Lakhs)

Note 39

Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

Net assets i.e. total assets minus total liabilities

Particulars	As at 31 March 2019		As at 31 March 2018	
	As % of Consolidated Net assets	Amount	As % of Consolidated Net assets	Amount
<b>Parent</b>				
IndoStar Capital Finance Limited	100.8%	3,02,989.39	100.4%	2,08,400.36
<b>Subsidiaries</b>				
IndoStar Home Finance Private Limited	5.7%	17,165.88	2.4%	5,000.12
IndoStar Asset Advisory Private Limited	0.1%	396.33	0.0%	73.30
Minority Interest	-	-	-	-
Less: Inter-Company eliminations	-6.6%	(19,923.32)	-2.9%	(6,001.00)
<b>Total</b>	<b>100.0%</b>	<b>3,00,628.28</b>	<b>100.0%</b>	<b>2,07,472.78</b>

Share of Profit or Loss

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	As % of Consolidated profit or loss	Amount	As % of Consolidated Net assets	Amount
<b>Parent</b>				
IndoStar Capital Finance Limited	106.0%	25,513.12	105.8%	21,194.02
<b>Subsidiaries</b>				
IndoStar Home Finance Private Limited	-7.9%	(1,906.63)	-5.3%	(1,053.09)
IndoStar Asset Advisory Private Limited	1.3%	323.01	-0.5%	(108.31)
Minority Interest	-	-	-	-
Less: Inter-Company eliminations	0.6%	149.98	-	-
<b>Total</b>	<b>100.0%</b>	<b>24,079.48</b>	<b>100.00%</b>	<b>20,032.62</b>



**Note 40**

**Employee stock option plans**

The Company provides share-based employee benefits to the employees of the Company and Subsidiary Company. The relevant details of the schemes and the grant are as below.

**A. Description of share-based payment arrangements**

As at 31 March 2019, the Group has the following share-based payment arrangements:

**Share option plans (equity settled)**

According to the Schemes, the employee selected by the Nomination and remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years.

**I. Details of the ESOS**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Date of Shareholder's Approval	30-Jul-12	09-May-16	17-Oct-16	28-Apr-17	15-Dec-17
Total Number of Options approved	15,00,000	27,00,000	30,00,000	20,00,000	60,00,000
Vesting Requirements	Vesting Criteria is specified for each Option Holder by the Nomination and Remuneration Committee at the time of grant of Options.				
The Pricing Formula	Options can be Exercised at any of the following Exercise Price, as may be determined by the NRC at its sole discretion at the time of grant of Options:(i) Fair Market Value rounded to the nearest rupee; or(ii) Market Price rounded to the nearest rupee; or(iii) such price as may be determined by the NRC. However, the Exercise Price shall not be less than the Fair Market Value of the Shares.				
Maximum term of Options granted (years)	Options granted under the ESOP Plans would vest not less than 1 (one) year and not more than 5 (five) years from the date of grant of Options. Options shall be capable of being exercised within a period of 4 years from the Date of Vesting.				
Method of Settlement	Equity				
Source of shares	Primary				
Variation in terms of ESOP	NA				
Method used for accounting of options	Fair Value Method				

**II. Option Movement during the year ended Mar 2019**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	No. of Options	No. of Options	No. of Options	No. of Options	No. of Options
No. of Options Outstanding at the beginning of the year	14,95,294	26,99,777	29,93,000	19,91,000	15,31,500
Options Granted during the year	-	-	-	-	25,000
Options Forfeited / Lapsed during the year	1,25,200	1,45,000	2,35,500	1,62,000	1,20,500
Options Exercised during the year	11,01,894	41,500	1,97,000	-	-
Number of options Outstanding at the end of the year	2,68,200	25,13,277	25,60,500	18,29,000	14,36,000
Number of Options exercisable at the end of the year	1,36,300	22,12,277	5,95,100	-	-
The weighted average market price of shares exercised during the year ended 31 March 2019	505.33	461.97	472.50	-	-

**III. Option Movement during the year ended Mar 2018**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	No. of Options	No. of Options	No. of Options	No. of Options	No. of Options
No. of Options Outstanding at the beginning of the year	14,90,784	24,00,777	27,47,000	-	-
Options Granted during the year	7,500	3,29,000	2,62,000	19,98,500	15,48,500
Options Forfeited / Lapsed during the year	2,990	30,000	16,000	7,500	17,000
Options Exercised during the year	-	-	-	-	-
Number of options Outstanding at the end of the year	14,95,294	26,99,777	29,93,000	19,91,000	15,31,500
Number of Options exercisable at the end of the year	10,50,994	22,39,277	2,73,700	-	-
The weighted average market price of shares exercised during the year ended 31 March 2018	-	-	-	-	-



Note 40

Employee stock option plans

III. Weighted Average remaining contractual life

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Range of Exercise Price (Rs. per share)	140.00 - 437.00	225.00 - 437.00	255.00 - 437.00	315.00 - 437.00	428.05 - 437.00
No. of Options Outstanding as on 31 March 2019	2,68,200	25,13,277	25,60,500	18,29,000	14,23,000
Contractual Life (in years)	3.29	2.62	4.87	7.06	7.63

IV. Method and Assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model.

The Assumptions used in the model are as follows:

Variables	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Risk Free Interest Rate	7.4%-8.0%	7.4%	7.4%	7.4%	7.4%
Weighted average expected life (in years)	1.81	2.45	4.09	6.00	6.39
Expected Volatility	41.0% - 58.1%	41.0% - 44.0%	41.0% - 44.0%	41.0% - 43.0%	34.9% - 41.0%
Dividend Yield	0.5%	0.5%	0.5%	0.5%	0.5%
Weighted average exercise price (Rs. per share)	199.07	240.22	267.24	349.80	430.05

V. Effect of share-based payment transactions on the entity's Profit or Loss for the period:

Particulars	31-Mar-19	31-Mar-18
Employee share based expense (Rs.)	1,118.54	2,491.24
Total ESOS reserve outstanding at the end of the period (Rs.)	6,697.71	5,585.05



IndoStar Capital Finance Limited  
Notes to the consolidated financial statements for the year ended 31 March 2019  
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Note 41 - Maturity pattern of Assets and Liabilities

Financial statements of the Company are disclosed in the format of order of liquidity. An analysis of its assets and liabilities according to their timing of recoverability and settlement has been presented below in a tabulated format.

Particulars	Note	As on 31 March 2019			As on 31 March 2018			As on 1 April 2017		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
<b>ASSETS</b>										
Financial assets										
Cash and cash equivalents	3	1,08,363.67	-	1,08,363.67	12,786.93	-	12,786.93	5,722.93	-	5,722.93
Bank balances other than cash and cash equivalents	4	3,558.59	-	3,558.59	-	-	-	813.58	-	813.58
Trade Receivables	5	53.10	-	53.10	-	-	-	-	-	-
Loans	6	2,58,862.13	7,77,504.75	10,36,366.88	1,12,560.01	4,77,482.86	5,90,042.87	1,20,658.07	3,84,700.47	5,05,358.54
Investments	7	30,085.81	-	30,085.81	1,00,703.58	-	1,00,703.58	18,675.24	-	18,675.24
Other financial assets	8	683.16	4,344.35	5,027.51	34.92	486.70	521.62	0.84	172.30	173.14
Non-financial assets										
Current tax assets (net)	9	-	3,586.34	3,586.34	-	27.75	27.75	-	11.04	11.04
Deferred tax assets (net)	10	-	1,755.51	1,755.51	-	6,314.88	6,314.88	-	4,985.89	4,985.89
Property, plant and equipment	11	-	6,624.86	6,624.86	-	5,143.73	5,143.73	-	692.19	692.19
Capital work-in-progress		-	-	-	-	830.13	830.13	-	-	-
Goodwill		-	30,018.69	30,018.69	-	-	-	-	-	-
Intangible assets	12	-	396.43	396.43	-	440.89	440.89	-	187.92	187.92
Other non-financial assets	13	3,551.53	616.46	4,177.99	1,824.17	744.86	2,569.03	966.09	722.16	1,688.25
<b>TOTAL ASSETS</b>		<b>4,05,167.99</b>	<b>8,24,847.39</b>	<b>12,30,015.38</b>	<b>2,27,909.61</b>	<b>4,91,471.80</b>	<b>7,19,381.41</b>	<b>1,46,836.75</b>	<b>3,91,471.97</b>	<b>5,38,308.72</b>
<b>LIABILITIES</b>										
Financial liabilities										
Trade payables	14	1,947.54	-	1,947.54	930.78	-	930.78	526.71	-	526.71
Debt securities	15	1,44,518.46	2,05,438.60	3,49,957.06	1,66,843.34	78,113.65	2,44,956.99	88,403.06	92,911.84	1,81,314.90
Borrowings (other than debt securities)	16	3,17,123.26	2,26,493.20	5,43,616.46	1,33,887.78	1,23,431.05	2,57,318.83	57,865.17	98,149.37	1,56,014.54
Other financial liabilities	17	30,351.52	2,284.14	32,635.66	26,816.99	-	26,816.99	15,222.09	-	15,222.09
Non-financial liabilities										
Current tax liabilities (net)	18	-	-	-	923.04	-	923.04	1,040.64	-	1,040.64
Provisions	19	99.97	506.65	606.62	70.00	333.01	403.01	24.27	157.94	182.21
Other non-financial liabilities	20	623.76	-	623.76	558.99	-	558.99	60.96	-	60.96
<b>TOTAL LIABILITIES</b>		<b>4,94,664.51</b>	<b>4,34,722.59</b>	<b>9,29,387.10</b>	<b>3,10,030.92</b>	<b>2,01,877.71</b>	<b>5,11,908.63</b>	<b>1,63,142.90</b>	<b>1,91,219.15</b>	<b>3,54,362.05</b>



**IndoStar Capital Finance Limited**  
**Notes to the consolidated financial statements for the year ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 42**

**Business Combination**

**A. Brief of the Transaction:**

The Company had entered into an agreement with India Infoline Finance Limited (IIFL), a Non-Banking Financial Company for acquisition of specified assets and liabilities of commercial vehicle segment for a total purchase consideration of Rs. 2,41,473.00 Lakhs, which was completed on 31st March 2019.

This acquisition enables the Company to almost double (go-to-market) infrastructure and provide a strong base for growth of the vehicle finance business.

**B. Details of Assets acquired and liabilities assumed**

Sr.No	Particulars	Amount
<b>Assets</b>		
(i)	Loans (incl. interest accrued) (net of ECL)	2,09,283.57
(ii)	Other assets	2,522.74
	(A)	<u>2,11,806.31</u>
<b>Liabilities</b>		
(i)	Other liabilities	352.00
	(B)	<u>352.00</u>
	<b>Net assets acquired (A)-(B)</b>	<u><b>2,11,454.31</b></u>

**C. Computation of Goodwill**

Particulars	Amount
Transfer Consideration	
- Cash consideration	2,41,473.00
Net assets acquired (A)-(B)	2,11,454.31
<b>Goodwill (Excess of net assets)</b>	<u><b>30,018.69</b></u>

Entire recognised goodwill is tax-deductible under the current tax regulations.

**D. Details for receivables acquired under the transaction**

The details of receivables acquired under the transaction are as follows:

Particulars	Fair value	Gross Contractual Amount	Expected credit loss
Loans acquired	2,25,406.33	2,69,806.08	20,199.53

**Note 43 - Changes in financing liabilities:**

The Company does not have any financing activities which affects the capital and asset structure of the Company without the use of cash and cash equivalents.



**IndoStar Capital Finance Limited**  
**Notes to the consolidated financial statements for the period ended 31 March 2019**  
**(Currency : Indian Rupees in Lakhs)**

**Note 44**

**Explanation of transition to Ind AS:**

These are the Group's first financial statements prepared in accordance with Ind AS. For the year ended 31 March 2018, the Group had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The consolidated financial statements for the current year have been prepared under Ind AS.

The accounting policies set out in note 2 have been applied in preparing these financial statements for the year ended 31 March 2019 including the comparative information and in the preparation of an opening Ind AS balance sheet at 1 April 2017 (the "transition date").

In preparing opening Ind AS balance sheet and in presenting the comparative information, the Company has adjusted amounts reported in consolidated financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected the financial performance, cash flows and financial position is set out in the following tables and the notes that accompany the tables.

**Optional exemptions availed and mandatory exceptions**

In preparing the first Ind AS financial statements, the Group has applied the below mentioned optional exemptions and mandatory exceptions.

**A. Optional exemptions availed**

**1. Property, plant and equipment and intangible assets**

The Group has availed the exemption available under Ind AS 101 to continue the carrying value for all of its property, plant and equipment and intangibles as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition (1 April 2017).

**B. Mandatory Exceptions**

**1. Estimates**

On assessment of the estimates made under the previous GAAP financial statements, the Group has concluded that there is no necessity to revise the estimates under Ind AS, as there is no objective evidence of an error in those estimates. However, estimates that were required under Ind AS but not required under previous GAAP are made by the Group for the relevant reporting dates reflecting conditions existing as at that date. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Determination of the discounted value for financial instruments carried at amortised cost.
- Impairment of financial assets based on the expected credit loss model.

**2. Classification and measurement of financial assets**

As permitted under Ind AS 101, Group has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. In line with Ind AS 101, measurement of financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

**3. Employee Stock Option Plans:**

The Company has availed the exemption under Ind AS 101 for the options which have been issued and the vesting period has expired prior to date of transition.

**Reconciliation of net worth as per previous GAAP and that computed under Ind AS**

Particulars	As on 1 April 2017	As on 31 March 2018
Net worth under previous GAAP	1,90,275.41	2,13,712.60
<b>Summary of Ind AS adjustments</b>		
Provision for expected credit loss on financial asset	(4,845.99)	(3,574.20)
Effective interest rate adjustment on loans and advances	(5,014.37)	(7,193.21)
Fair valuation of security deposit	(2.78)	(6.87)
Marked-to-market gain/(loss) on financial instruments	-	(201.00)
Effective interest rate adjustment on borrowings	297.12	185.38
Provision for gratuity	-	(3.22)
Deferred tax on Ind AS	3,237.28	4,553.30
<b>Total Ind AS adjustments</b>	<b>(6,328.74)</b>	<b>(6,239.82)</b>
<b>Net worth under Ind AS</b>	<b>1,83,946.67</b>	<b>2,07,472.78</b>



IndoStar Capital Finance Limited  
 Notes to the consolidated financial statements for the period ended 31 March 2019  
 (Currency : Indian Rupees in Lakhs)

Note 44

Reconciliation of total comprehensive income as per previous GAAP and that computed under Ind AS

Particulars	For the year ended 31 March 2018
Profits as per previous GAAP	22,437.20
<b>Summary of Ind AS adjustments</b>	
<b>In the statement of profit and loss:</b>	
Provision for expected credit loss on financial asset	1,271.79
Effective interest rate adjustment on loans and advances	(2,178.84)
Fair valuation of security deposit	(4.09)
Marked-to-market gain/(loss) on financial instruments	(201.00)
Effective interest rate adjustment on borrowings	(111.74)
Provision for gratuity	(3.22)
Fair valuation of employee stock options	(2,491.25)
Deferred tax on Ind AS	1,316.02
<b>Total Ind AS adjustments</b>	<b>(2,402.33)</b>
<b>Total comprehensive income as per Ind AS</b>	<b>20,034.87</b>

As per our report of even date attached

For S R Batliboi & Co LLP  
 Chartered Accountants  
 ICAI Firm Registration No. 301003E/E300005



per Shrawan Jalan  
 Partner  
 Membership No. 102102

For and on behalf of the Board of Directors of  
 IndoStar Capital Finance Limited



R. Sridhar  
 Executive Vice-Chairman & CEO  
 DIN: 00136697



Dhanpal Jhaveri  
 Chairman  
 DIN: 02818124



Pankaj Thapar  
 Chief Financial Officer



Jitendra Bhati  
 Company Secretary

Place: Mumbai  
 Date: 20 May 2019

Place: Mumbai  
 Date: 20 May 2019




**Form AOC-I**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

**Part A Subsidiaries**

(Currency : Indian Rupees in Lakhs)

1	Sl. No.	1	2
2	Name of the subsidiary	IndoStar Asset Advisory Private Limited	IndoStar Home Finance Private Limited
3	The date since when subsidiary was acquired	-	-
4	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	1 April 2018 to 31 March 2019	1 April 2018 to 31 March 2019
5	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	INR	INR
6	Share capital	Authorised Capital: INR 10 Paid Up Capital: INR 1	Authorised Capital: INR 2000 Paid Up Capital: INR 2000
7	Reserves & surplus	INR 395.32	INR (2,834.12)
8	Total Assets	INR 452.39	INR 56,621.17
9	Total Liabilities	INR 452.39	INR 56,621.17
10	Investments	Nil	Nil
11	Turnover	INR 567.82	INR 4,257.11
12	Profit before taxation	INR 405.89	INR (1,906.63)
13	Provision for taxation	INR 82.88	NIL
14	Profit after taxation	INR 323.01	INR (1,906.63)
15	Proposed Dividend	Nil	Nil
16	Extent of shareholding (in percentage)	100% by IndoStar Capital Finance Limited	100% by IndoStar Capital Finance Limited

Notes: There were no subsidiaries which have been liquidated or sold during the year.

By the Order of the Board of Directors  
For IndoStar Capital Finance Limited

*R. Sridhar*  
R. Sridhar  
Executive Vice-Chairman & CEO  
DIN: 00136697

*Dhanpal Jhaveri*  
Dhanpal Jhaveri  
Director  
DIN: 02018124

*Pankaj Thapar*  
Pankaj Thapar  
Chief Financial Officer

*Jitendra Bhatti*  
Jitendra Bhatti  
Company Secretary

Place: Mumbai  
Date: 20 May 2019

*[Handwritten mark]*