



*Consistency &
Conservatism*

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CONSISTENCY AND CONSERVATISM

Three years into its existence, IndoStar has succeeded in establishing itself as a consistently performing wholesale credit institution that is capable of playing an important role in a changing economic environment. An ethos of conservatism, embedded in our business philosophy has helped us maintain profitable growth. Going ahead, our focus will be on expanding our industry footprint while maintaining a cautious approach.

Over the past three years, we have consistently achieved strong and sustainable growth in profitability by leveraging structuring capabilities and risk management. The result is a high quality diversified asset book and increasing revenues. Our emphasis remains on improving governance, blending caution with keenness and creating adequate buffers in our balance sheet. Our consistent and conservative approach has enabled us to establish ourselves as a meaningful player in the structured domestic debt business in a short span of three years.

CONSISTENT ASSET GROWTH WITH A CONSERVATIVE APPROACH

IndoStar Capital Finance Limited (IndoStar) is one of India's fastest growing Non-Banking Financial Companies (NBFC) focused on providing innovative, structured financial solutions to Indian corporates. The Company's operations, shaped by its consistent and conservative approach, have helped it gain stature in the Indian financial ecosystem.

**₹5,800
Crore**
*cumulative
worth of deals
originated and
transacted since
inception, three
years ago*

* * * * *

Since commencing operations in April 2011, IndoStar has, at a young age, become a multi-product franchise addressing the credit needs of its clients. The Company has created strong traction for its liability sourcing in the banking and wholesale capital markets. Regular and timely availability of liability funding has been a key ingredient of asset growth and business sustainability.

Since inception, IndoStar has originated and transacted 91 deals cumulatively worth over ₹ 5,800 Crore and established an asset base of over ₹ 3,160 Crore as of March 31, 2014, across multiple products and sectors.

The loan book is well-collateralised and well-diversified with annualised IRR of 16%. Over the years, IndoStar has created a footprint as an independent institutional set-up, which can leverage the global network of its sponsors.

IndoStar accords high importance to its governance structure given its standing in the market. The Company emphasises greater transparency and disclosure levels and implements best practices in reporting and governance. It is well regarded by lenders and rating agencies as an organisation with strong sponsors and a responsible and highly competent management team.

GROWING PORTFOLIO OF DIVERSE PRODUCTS

IndoStar offers its customers a wide range of products with focus on structured finance transactions. Besides, the Company's diversified products targeting multiple sectors act as a hedge against concentration risk. IndoStar's product portfolio is a healthy mix of yield, asset class and maturity.



Secured Corporate Lending

IndoStar provides commercial loans to its customers for asset creation and growth plans. These are typically term loans with tenors ranging from 2-6 years secured with operating assets of the borrowers.



Loans against Properties (LAP)

The Company provides loans at a project level for the construction of commercial and residential properties, including late stage financing for the completion of under-construction properties with a focus on minimising execution and construction risks.



Asset Financing

IndoStar has initiated partnerships with Asset Financing Companies to finance commercial vehicles and equipment. This serves as an important mode of diversification of asset portfolio with an aim to gain a foothold in the asset finance market.



Capital Market Exposure

IndoStar offers loans to promoters against listed securities, select unlisted securities and/or other tangible collaterals. These are secured loans with highly liquid collaterals with tenors ranging from one to three years.

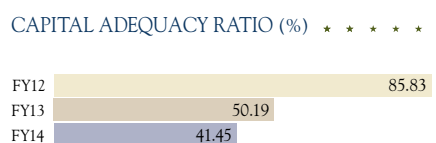
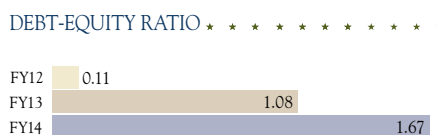
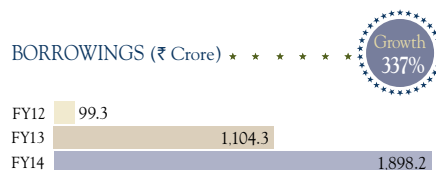
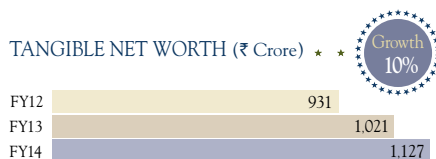
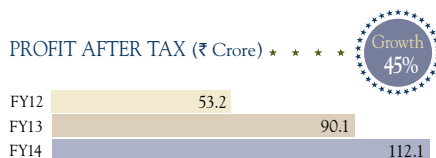
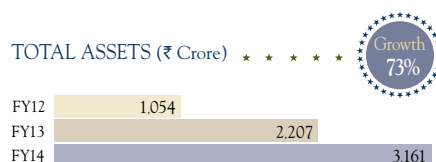
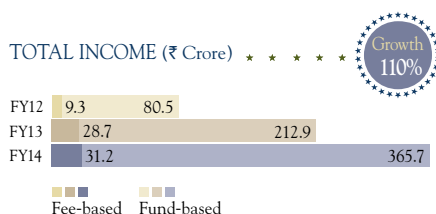


Special Situation Loans

IndoStar formulates specialised structured financing solutions for corporates to meet their funding requirements. The Company also offers acquisition funding and special situation funding for its clients.

LOOKING BACK AT FY14

Over the past three years, IndoStar has focused on enhancing its performance in terms of size, scale, asset profile and ratings.



DEMONSTRATED CAPABILITIES

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IndoStar has established itself as an independent lender with well-regarded credit analysis and structuring capabilities; evidenced by transactions where IndoStar has led, participated in and sold-down loan assets in multiple sectors. IndoStar has built a strong base of client relationships, catering to over fifty corporate entities in India. The Company has also partnered with strong co-lenders in select transactions to undertake larger transactions.

STRONG LIABILITY PARTNERSHIPS

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IndoStar has mobilised resources as part of its liability planning from banking system, capital and money markets.

The Company has relationships with over twenty banks and has issued Non-Convertible Debentures to leading mutual funds. It is also a regular issuer of Commercial Paper in the money market. A focus on building active relationships with financial institutions, mutual funds and large investors in the market will improve IndoStar's brand in the credit space and help churn its asset book.

CREDIT RATINGS

* * * * *

IndoStar is rated by Credit Analysis & Research Ltd. (CARE), ICRA Limited (ICRA) and CRISIL Limited (CRISIL).

| Instrument | Amount in ₹ Crore | Rating |
|--|----------------------|-----------------------------------|
| Bank Facilities and Non-Convertible Debentures (Long-term) | 2,450 | CARE AA- |
| Short-term borrowings | 300 | CARE A1+, ICRA A1+, CRISIL A1+ |

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The past few years have seen a moderation in global economic activity as developed world economies are experiencing slow growth due to slowdown in consumer spending and investment activity. While emerging economies continue to work on their economic reform agendas, they have been impacted by the fall in global demand. That said, there is undoubtedly more momentum in markets and confidence in businesses as sentiment improves in 2014-15.

* * * * *

India was temporarily affected by the turmoil in the global economic environment during the last fiscal. Weak consumption demand, both urban and rural amidst stubborn inflation has affected capex plans for the industry. However, the Indian economy has made some progress on infrastructure and power project allocations and achieved significant reduction in current account and fiscal deficits and in stabilisation of the value of the rupee. Going forward, we expect an improvement in the economy and a revival of investor confidence, as the investment cycle resumes.

The need to build infrastructure and create jobs in manufacturing will drive the demand for capital and new sources of funds shall be needed to

complement the existing banking system. As an independent wholesale credit institution, IndoStar is well-poised to benefit from this opportunity. The Company has delivered consistent performance, reporting three consecutive years of income and profit growth. IndoStar has leveraged the experience of global best practices and local economic development to create a holistic product portfolio for Indian corporates. Being a complement to the banking system, the Company carefully understands its clients' immediate and future financing needs and matches coverage and support accordingly. A robust risk management process has delivered a loan asset portfolio of good credit quality.

The Company has built upon the strong foundation laid in the initial years of operations with the support of its sponsors, which are pedigreed global financial institutions. The Company's experienced and highly-qualified team, good risk management processes, comfortable capital adequacy and liquidity position have enabled it to emerge as a significant player in the market in just three years of operations. IndoStar is strongly capitalised with a net worth in excess of ₹ 1,127 Crore. Till now, the Company has transacted 91 deals worth ₹ 5,800 Crore. IndoStar's asset base is over ₹ 3,160 Crore. Revenues have increased by 64% Y-o-Y reaching ₹ 396.9 Crore from ₹ 241.6 Crore last year. It also registered a 64% growth in profitability with its net profit after tax rising to ₹ 112.1 Crore.

IndoStar has a strong governance structure in place. The Board regularly oversees company-level risk

₹ 3,160

Crore

Asset base as on date

24%

Growth in
profitability

management and ensures that the internal credit and risk policies are adhered to.

The RBI has introduced stringent guidelines to ensure the NBFC industry is on safe footing and has, over the last few years, prescribed robust operating practices, higher provisions for loans, increased capital adequacy and risk-weights for certain asset classes. IndoStar continues to follow the best practices in governance and has met the regulator's requirements well in advance.

The Company maintains a liquidity buffer, at a floor level of 15% of net worth, allowing the Company to comfortably meet any short-term needs. The Company's current Capital Adequacy Ratio of 41.45% is adequate cover for higher leverage and to fund future expansion. IndoStar continues to have a firm grip on the levers of risk, cost and investment, and is using its balance sheet strength to increase financing support to its clients.

The Company continues to take a conservative approach to managing the balance sheet, while maintaining a strong liquidity position and keeping a watchful eye on asset quality.

Going forward, IndoStar is looking at other opportunities in the credit space with the objective of risk diversification, tapping into other profit pools and enhancing its non-fund based income.

We intend to set up a debt-focused Alternate Investment Fund raising funds from the domestic market, family offices and high net worth individuals. The asset focus will continue to be on borrower quality, operating cash flows and sufficient collateral.

I would like to thank all our stakeholders for their continued support. At IndoStar, we believe leadership is above all a relationship, with consistency as the cornerstone. The Company has consistently grown in the last three years with caution and a conservative work pattern. We will continue with the same growth momentum leveraging our strong management expertise and continue to deliver a distinctive combination of growth and returns for our investors.

Vimal Bhandari
Managing Director and Chief
Executive Officer

THE NBFC LANDSCAPE

NBFCs have played a complementary role to the banking system in India for delivering credit to various sectors of the economy.

Travellers across the ages have marvelled at India’s well-developed trade and financial systems. Historical documentaries mention the existence of intrepid and innovative financial intermediaries, who innately understood risk and opportunity and established mature trading systems. In the modern era, many such intermediaries have transformed into varied architectures like *nidhis*, *chit funds* and the Non-Banking Financial Company or NBFC.

NBFCs are known by many names and have been clubbed under different categories by different regulators across the world. The Reserve Bank of India currently classifies NBFCs into eight categories.

The NBFC sector has become an important, viable and effective part of the financial system. In current financial literature and academic discourse – especially in the western developed markets – they are commonly known as ‘shadow banks’. In India, NBFCs have played a special role in expanding the reach of credit intermediation, deepening financial inclusion, introducing new forms of asset financing and creating innovative financing structures. NBFCs have played a complementary role to the

banking system for delivering credit in various productive sectors of the economy.

In short, the NBFCs have contributed immensely to the country’s overall economic growth and wealth creation. And, yet, there exists a potential to do much more. All forms of Indian NBFCs - together make only a modest contribution to the country’s financial landscape when compared to other countries (See Table).

Shadow banking as % of GDP

| | |
|-----------|-------|
| US | 153 |
| Euro Area | 168 |
| UK | 370 |
| Japan | 67 |
| HongKong | 520 |
| Singapore | 260 |
| China | 69 |
| Global | 111 |
| India | 21.2* |

* For 2012, rest figures are for 2011

Source: Financial Stability Board, https://www.jpmorganmf.com/GTMA/MI-MB_ChinaDebt_20131206.pdf

Despite this limited presence, NBFCs have left their distinctive imprint on the financial sector. NBFCs successfully straddle the twin worlds of corporate finance as well as retail lending, both of which require varied skill sets. And, in both cases, NBFCs have pioneered asset-based lending as well as innovative financial structures.

NBFCs were first to partner the household sector's efforts at asset creation before the commercial banking sector saw potential in this segment. They have made an admirable contribution to housing finance, enabling many families to afford a roof over their heads. According to the Report on Trend and Progress of Housing in India 2013, published by housing finance regulator National Housing Bank, outstanding loans of housing finance companies have grown by an incredible 1028% – from ₹ 25,326 Crore in 2000 to ₹ 285,711 Crore by March 31, 2013 (CAGR of 27%).

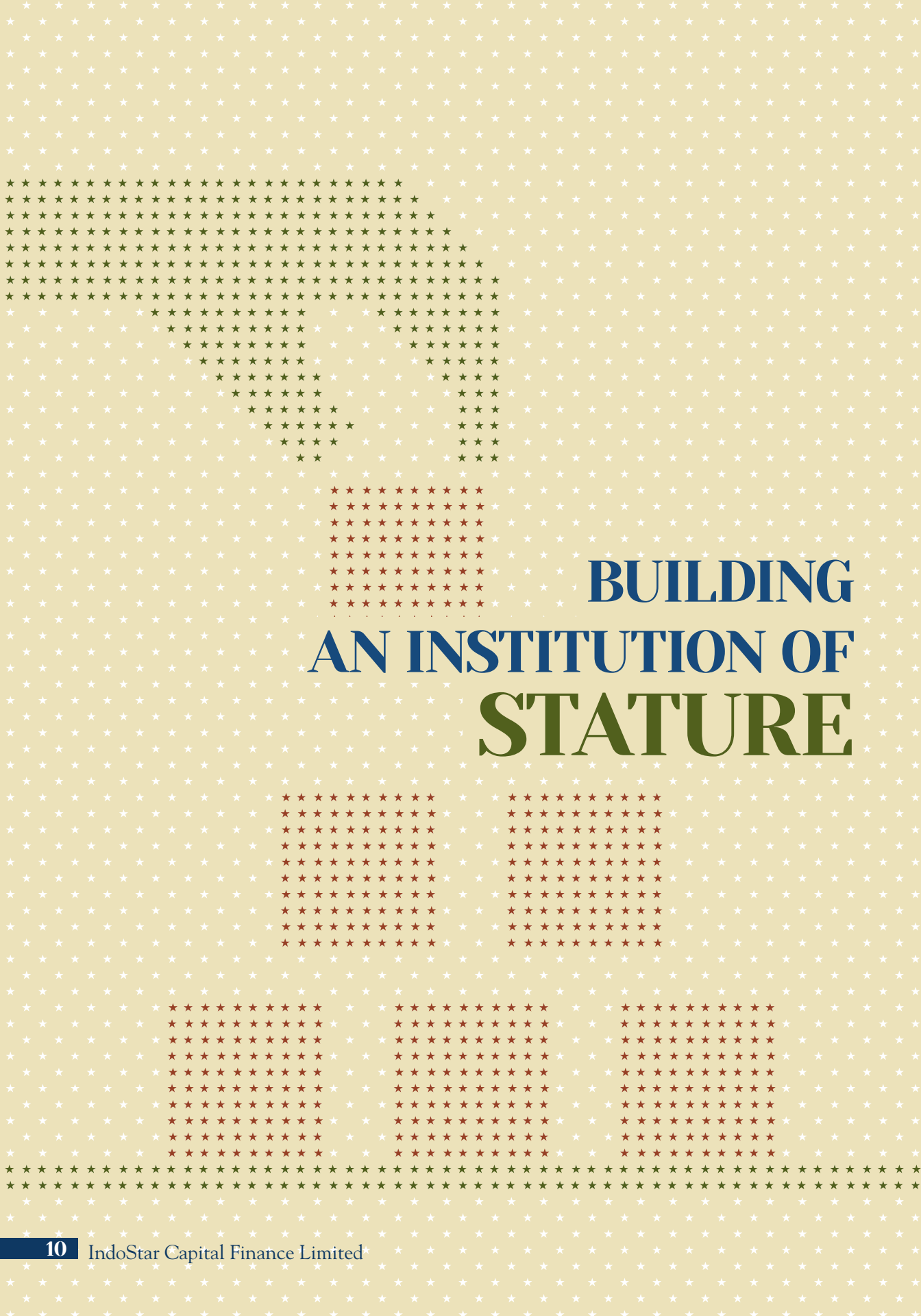
NBFCs have also led the way in financing passenger vehicles, including two-wheelers. Two-wheeler sales have shot up by over 90% – from 7,249,278 units in 2007-08 to 13,797,748 units by 2012-13. Similarly, passenger vehicle sales jumped up by over 73% – from 1,549,882 units in 2007-08 to 2,686,429 in 2012-13. This was possible due to

myriad financing options made available by NBFCs.

In the wholesale segment, NBFCs, given their size and structure, have been flexible and adept in meeting the corporate sector's various funding requirements through plain, vanilla lending or through specialised structures that provide unique solutions for unique problems. Process rigidity in the rest of the financial system attributed to the increased demand for NBFC-created structured solutions amongst corporate borrowers. These solutions have been designed to address the special needs of borrowers, while ensuring that risk is effectively mitigated.

Many creative structures are possible within the existing regulatory and legal boundaries. The returns from the lending process, for instance, could be back-ended where they are not reliant on the borrower's current cash flows but on future sale of assets. Also, a certain degree of credit enhancement – such as an improvement in the debt-to-capital ratio of the borrower company – can trigger a change in its repayment schedule. NBFCs have also been in the lead in providing acquisition financing through leveraged buy-out or management buy-out structures.

Source: SIAM



BUILDING AN INSTITUTION OF STATURE

IndoStar’s rigorous credit processes and strong relationships enables it to deliver sustainable growth in the years ahead. The Company has continuously enhanced performance in the last three years despite market uncertainties, establishing itself as an institution which can undertake sophisticated credit transactions.

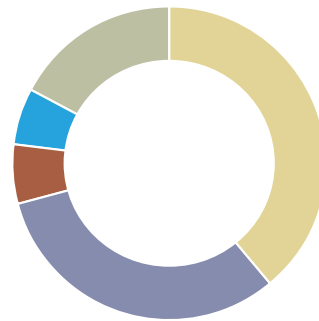
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IndoStar has continued to grow as planned, growing its balance sheet two-fold over the past two years. Liability build-up has been enhanced with a diverse lender base that protects the Company’s funding base against market volatility.

In the past three years, IndoStar has done solid groundwork to ready itself for scaling up within the domestic and offshore market. Debt asset management presents a good opportunity for IndoStar to complement its existing business. The Company proposes to set up an alternate investment fund (AIF) regulated by SEBI that raises funds from the domestic market and high net worth individuals as well as explores opportunities for bringing offshore funds into the Indian market. These initiatives will provide the Company additional fee revenue and access to fiduciary capital, at low incremental costs to the Company as it leverages its credit expertise and operating team.

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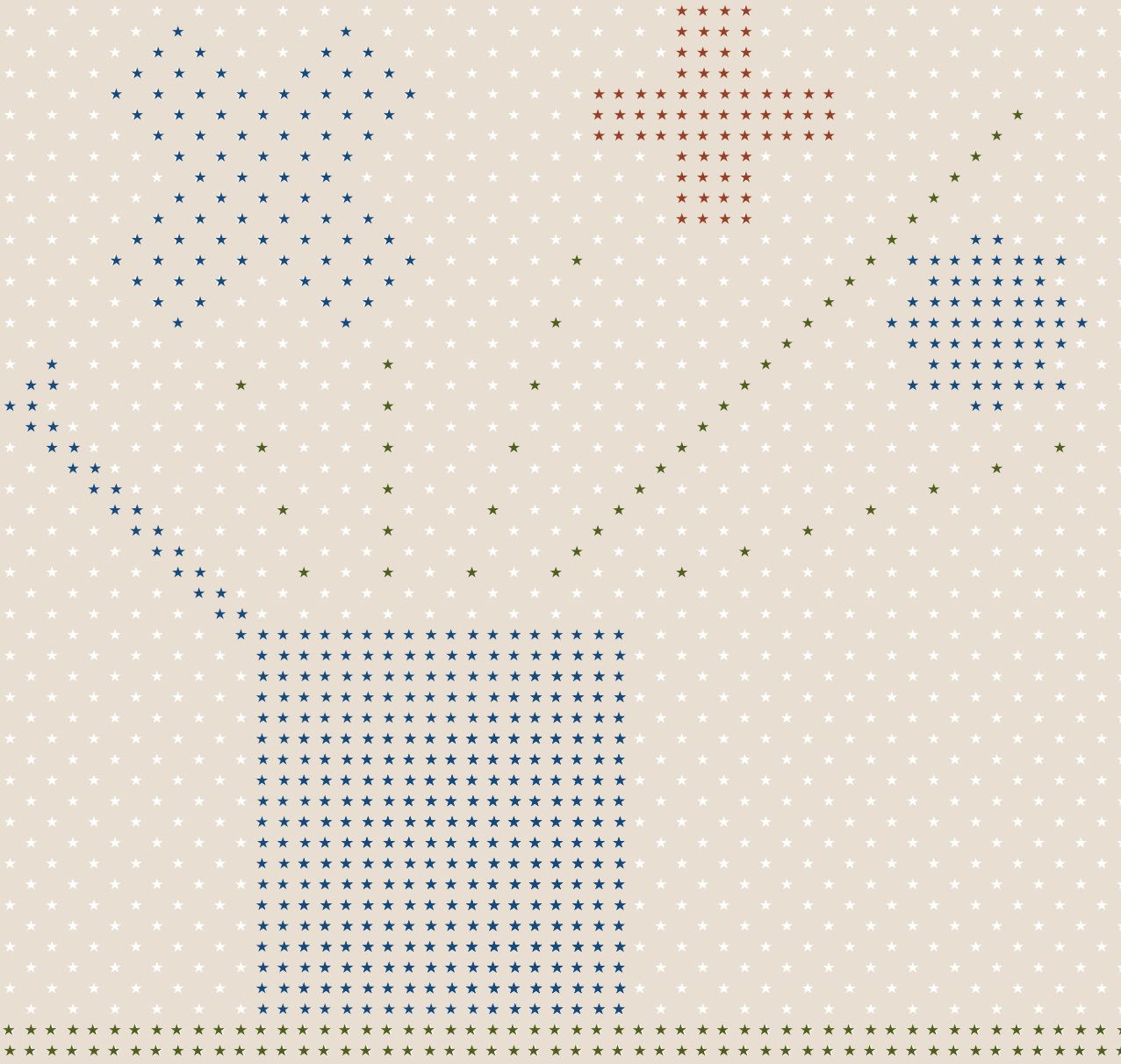
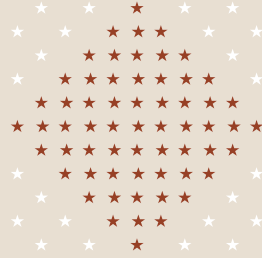
TOTAL ASSETS as on March 31, 2014



| Industry | % Current Exposure |
|-------------------------|--------------------|
| Operating Company Loans | 39 |
| Loans against Property | 32 |
| Loans against Shares | 6 |
| Other Loan Assets | 6 |
| Treasury Assets | 17 |

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OFFERING DIVERSE LENDING PRODUCTS



Thorough knowledge of its customers has enabled IndoStar to offer best-in-class products. Through its quality product portfolio, the Company has been able to strengthen its relationships with its customer base across various industries.

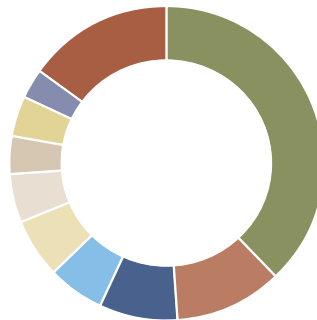
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An unwavering focus on credit quality, based on understanding the robustness of borrowers' cash flows, has helped IndoStar manage credit risk. Repayment via operating cash flows of the borrowers also mitigates refinancing risk for the repayment of the loan portfolio. Zero compromise on credit quality has helped IndoStar keep its books clean and grow consistently in the last three years.

IndoStar has built a balanced portfolio with no asset or sector contributing more than 15% of the loan book, except LAP, which is 38% of the loan book (32% of Total Assets). Moreover, the Company maintains a liquidity buffer in excess of 15% of net worth with no asset-liability mismatch in any bucket. IndoStar also maintains single party exposure limit within 15% of net worth and group exposure is limited to 25% of net worth as mandated by the regulator. These measures reflect the calibrated and conservative approach of the Company and help it to manage cash flows.

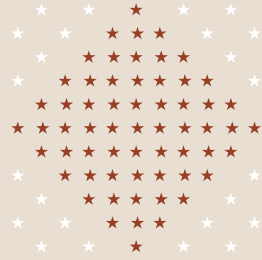
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SECTOR-WISE LOAN BOOK as on 31 March, 2014



| Industry | % Current Exposure |
|-----------------------|--------------------|
| Loan against property | 38 |
| Financial Services | 11 |
| Infrastructure | 8 |
| Iron & Steel | 6 |
| Oil & Gas | 6 |
| Packaging | 5 |
| Renewable Energy | 4 |
| Transportation | 4 |
| Cement | 3 |
| Other Misc. | 15 |

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Illustrations of some structured products created by IndoStar for its clients:



Surface Logistics Company

Senior Secured Amortizing Debt Facility was provided to a leading surface logistics provider based out of southern India, with an emphasis on the Over Dimensional Cargo segment primarily catering to the wind energy sector. IndoStar took out the entire outstanding debt on the books of the Borrower by providing a fresh long term loan. Security for the IndoStar facility were the vehicles owned by the Borrower and a cash flow mechanism, which ensures that amounts required for debt servicing are escrowed to IndoStar from the top line revenues of the Borrower before any overflows are permitted for day to day expenses of the Borrower. The IndoStar facility eased the pressure on the Borrower's cash flows making it possible for the surplus internal accruals, post debt servicing, to be used for meeting its growth requirements.



Coal Bed Methane Company

Senior Secured Amortizing Debt Facility was provided to an established player in the coal bed methane space, having operations in eastern India. The Borrower had commenced commercial production and sales of coal bed methane gas to reputed players in the iron and steel sector in eastern India. Based on a proven track record of sale of gas for 2-3 years, IndoStar provided a door-to-door six-year facility to replace all debt falling due over the next 2 years such that the cash flow during this period could be used for digging new wells and increasing the productivity of the gas field. This facility met the twin objective of the Borrower not having to resort to additional debt for funding its capital expenditure requirement while at the same time terming out its cash flows efficiently by using the fresh facility from IndoStar.



Real Estate Developer

IndoStar provided a highly structured Senior Secured Facility to a leading southern India based developer. The facility was against the security of three under-construction residential projects. All the cash flow from the three projects were escrowed to IndoStar and from day 1, a fixed pre agreed per cent of the cash flow would be utilised for mandatory prepayment of the IndoStar facility while the balance would be used for the expenses relating to the three projects. The nature of the structure meant that the Borrower had the incentive of reducing its total interest outgo significantly in case sales happened earlier than estimated. IndoStar, however, had the comfort of a watertight escrow mechanism which facilitates more efficient monitoring of cash flow and ensures that the security cover keeps improving over the tenor of the facility.



DIVERSIFIED LIABILITY PORTFOLIO

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The Company has a diversified funding profile including the banking sector, wholesale capital markets and money markets. IndoStar has rating limits of ₹ 2,750 Crore currently and this is expected to be enhanced further in the coming fiscal to realise its growth plans. A diversified funding mix helps the Company to borrow at competitive rates, reducing the cost of funding for the Company, helping it cater to its customers' needs.

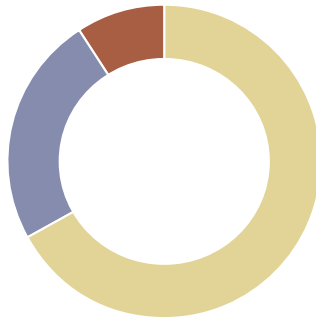
IndoStar has widened and deepened relationships with its lender base in a very short span of three years.

It received term loan facilities from 18 banks, with three other banks having provided financing through subscriptions to NCD/Commercial Paper.

In addition to support from leading public sector and private sector banks, we have also received support from leading mutual funds, 12 of whom have invested in NCD/Commercial Paper issued by us, with another four having indicated that they are keen to invest in our paper.

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FUNDING SOURCES as at 31 March, 2014



| Source | % of Portfolio |
|----------------------------|----------------|
| Bank finance | 67 |
| Markets | |
| Non-Convertible Debentures | 24 |
| Commercial Paper | 9 |

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BOARD OF DIRECTORS AND CFO

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SAMEER SAIN

Mr. Sain has over two decades of experience in a range of roles in corporate and retail finance, investment and institutional wealth management. He holds a BBA from the University of Massachusetts at Amherst and an MBA from Cornell University, USA. He is on the Board of IndoStar as a representative of Everstone Capital.

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ATUL KAPUR

Mr. Kapur has over two decades of experience in corporate finance, investment and institutional wealth management. He holds a Bachelor of Commerce degree from the University of Delhi and is a qualified Chartered Accountant. He is on the Board of IndoStar as a representative of Everstone Capital.

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**DHANPAL
JHAVERI**

Mr. Jhaveri has over two decades of experience in corporate finance and strategy. He holds a Bachelor of Commerce degree from the University of Mumbai and an MBA from Babson College, Graduate School of Business, USA. He is on the Board of IndoStar as a representative of Everstone Capital.

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**RAJESH
MEHTA**

Mr. Mehta has almost two decades of experience spanning asset management, corporate strategy and investment banking. He holds a Bachelor of Commerce degree from the University of Mumbai and is a qualified Chartered Accountant. He is on the Board of IndoStar as a representative of Ashmore.

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**DEEPAK I.
SHAHDADPURI**

Mr. Shahdarpuri has over 16 years of successful private equity investing and advisory experience in India, the United Kingdom and the United States. He holds an undergraduate Law degree from King's College, University of London, and an MBA from INSEAD. He is on the Board of IndoStar as a representative of Baer Capital.

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ALOK OBEROI

Mr. Oberoi has over two decades of experience in the field of investments, including advising on various investment strategies, as well as structuring international joint venture and transactions. He holds a Bachelor of Arts degree from Cornell University and an MBA degree from the Johnson Graduate School. He is on the Board of IndoStar as a representative of ACPI.

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**SHWETA
BHATIA**

Ms. Bhatia has over 12 years of experience in private equity. She received her Bachelor of Arts in Economics and Computer Science from Smith College and an MBA from Harvard Business School. She is on the Board of IndoStar as a representative of Goldman Sachs.

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**ERIC STUART
 SCHWARTZ**

Mr. Schwartz has nearly three decades of experience in the financial services industry. He completed his MBA from the Wharton School, University of Pennsylvania, USA. He is on the Board of IndoStar as an Independent Director.

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BOBBY PARIKH

Mr. Parikh has more than 26 years of experience in advising clients in the areas of entry strategy, business model identification, structuring a business presence, M&A and other business re-organisations. He holds a Bachelor of Commerce degree from the University of Mumbai. He is on the Board of IndoStar as an Independent Director.

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RAVI NARAIN

Mr. Narain has been with the National Stock Exchange (NSE) since inception, and was the MD & CEO of the exchange for 12 years, before he joined the NSE board as Vice Chairman in a non-executive position. He has a degree in Economics from Cambridge University, UK and a degree in Business Administration (Finance) from Wharton School, University of Pennsylvania, USA. He is on the Board of IndoStar as an Independent Director.

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**VIMAL
 BHANDARI**

Managing Director and Chief Executive Officer

Mr. Bhandari is responsible for the overall supervision, management and functioning of the organisation. He has over three decades of experience in the financial services industry. He is a Chartered Accountant and has studied at Mumbai University.

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**SHAILESH
 SHIRALI**

Whole-Time Director

Mr. Shirali is responsible for the Credits and Markets division of the Company. He has over two decades of experience in structured finance and investments having worked across large banking and global finance companies. He holds a Bachelor of Commerce degree from the University of Mumbai and is a qualified Chartered Accountant.

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**PANKAJ
 THAPAR**

Chief Financial Officer

Mr. Thapar is responsible for the Company's finance and business support functions. He has over three decades of experience across banks and major corporates. He holds a Bachelor of Commerce degree and an MBA from the University of Delhi.

Management Discussion and Analysis

GLOBAL ECONOMY

Following a year of consolidation in 2013, the global economy is moving towards a broad-based recovery. The economic fundamentals show that the world has indeed stepped up a gear, although the pace of recovery is largely uneven. The advanced economies are putting up a better show, compared to developing economies. The big picture, however, is still unclear. A closer look at individual economies reveals a picture of cautious optimism: the US is strengthening gradually; the Eurozone is still grappling with subdued growth, along with Japan, and there is a definite slowdown in the Emerging Markets and Developing Economies (EMDEs).

The Eurozone's troubles have a lot to do with the conservative fiscal measures of the European Central Bank, even as deflationary impulses continue. In Japan, Abenomics still needs to reinforce domestic private demand for a sustained recovery. For the EMDEs, there is clearly some scope for structural reforms to improve the outcome. Therefore, there is no room for complacency as global growth remains vulnerable to headwinds.

Global growth trend

| Particulars | Actual | | Projections | | % |
|-----------------------------------|--------|-------|-------------|------|---|
| | 2012 | 2013 | 2014 | 2015 | |
| World Output | 3.2 | 3.0 | 3.6 | 3.9 | |
| Advanced Economies | 1.4 | 1.3 | 2.2 | 2.3 | |
| United States | 2.8 | 1.9 | 2.8 | 3.0 | |
| Euro Area | (0.7) | (0.5) | 1.2 | 1.5 | |
| Japan | 1.4 | 1.5 | 1.4 | 1.0 | |
| United Kingdom | 0.3 | 1.8 | 2.9 | 2.5 | |
| Other Advanced Economies | 1.9 | 2.3 | 3.0 | 3.2 | |
| Emerging and Developing Economies | 5.0 | 4.7 | 4.9 | 5.3 | |

(Source: International Monetary Fund, April, 2014)

INDIA'S ECONOMY

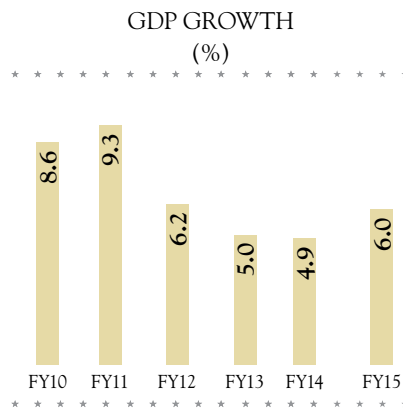
India is an aspirational society with an enormous potential for growth, and a significant demographic advantage. However, a combination of domestic and global factors has consistently jeopardised the country's economic growth since FY 2010-11. There were warning signals about growth losing steam from the beginning of FY 2013-14, but apart from sporadic measures to revive growth, no sustained reforms were undertaken to put the economy back on track.

2013-14 was characterised by a lull in infrastructure creation and corporate investments, and a difficult operating environment for business, with slow legislation, policy ambiguity, and a general sense of drift. The impending elections did their bit to stymie the pace of industrial growth. India's growth engine stumbled, while core inflation remained persistently high, a severe double-whammy. The RBI raised policy repo rates by 75 basis points in intermittent steps throughout the year to contain rising inflation. Slowdown in industrial output was balanced by agriculture growing by 4.6% in FY 2014. Record productions in rice, wheat, pulses, oilseeds and cotton were witnessed.

The second half of FY2014 saw a narrowing of the current account deficit and fiscal deficit, bringing India into a gradual recovery mode. In addition, policy measures to strengthen capital flows helped reduce external vulnerabilities. The Indian currency is showing signs of stability, inflation is more under control and exports are buoyant. Despite roadblocks, India

is on the threshold of a new transformation with renewed focus on investment and reforms by the new government at the Centre. The kick-starting of the investment cycle will be crucial for this, supported by leveraging opportunities in specific sectors.

The economy needs to be put on a high-growth trajectory by accelerating the execution of stalled infrastructure projects, pruning wasteful subsidies, bringing about land and labour reforms, boosting investment in all sectors of the economy, strengthening the country's financial architecture and replacing the complex array of duties with a combined goods and services tax (GST).



(Source: CRISIL, January & February, 2014)

INDIA'S NBFC INDUSTRY

A significant proportion of the Indian population still languishes outside the periphery of formal channels of financial services. This is both a challenge and an opportunity. It is a challenge, because India's financial architecture needs to be strengthened with urgency to reinforce the message of inclusiveness. It is an opportunity, because the NBFC sector can play a pivotal role in India's economic development by meeting the credit requirements of Indian corporates and a wide cross-section of population. NBFC players have already focused on enhancing their financial products and services and their pan-India footprint.

This is reflected in the fact that the NBFC Assets to GDP (%) increased from 8.4% as on March 31, 2006 to 12.5% as on March 31, 2013. ¹Here, assets of the NBFC sector include assets of all deposit-taking NBFCs and Non-Deposit Taking NBFCs having assets size ₹ 100 Crore and above (NBFCs-ND-SI).

NBFCs have consistently maintained discipline in key ratios like cost-to-income ratio and net interest margin, resulting in stable asset performance in the wholesale space. Even in a difficult period such as last year, the NBFCs have managed to maintain asset quality, especially in the wholesale financing space. In the retail financing space, there has been some slowdown in collection ratios in the commercial vehicle segment, reflective of the slowdown in industrial output.

¹ Reserve Bank of India, January 2014-(i) Reports on Trend and Progress of Banking in India, 2006-2013; (ii) Hand Book of Statistics on Indian Economy, 2012-13

Management Discussion and Analysis

RBI has acknowledged the solid performance and future role of the NBFC sector in India's financial landscape and introduced regulations similar to its supervisory norms for banks.

- NBFCs have to report returns to RBI similar to the mandates for scheduled commercial banks
- Like banks, NBFCs have access to Lok Adalats in all districts to settle long-pending cases of overdues, including those pending under the Negotiable Instruments Act
- NBFCs have benefited from the high interest rate regime in commercial banks. Asset financing companies now borrow from the capital markets in order to accommodate their growing asset base

Activity-wise classification

- Asset Finance Companies (AFCs)
- Investment Companies (ICs)
- Loan Companies (LCs)
- Infrastructure Finance Companies (IFCs)
- Core Investment Companies (CICs)
- Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs)
- Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFIs)
- Factoring Companies (FCs)
- Mortgage Guarantee Companies (MGCs)
- Residuary Non-Banking Companies (RNBCs)

Key highlights

| | NBFCs-D* | NBFCs-ND-SI* |
|-------------------------------------|---|---|
| Borrowings | | |
| • Banks & Financial Institutions | Share of NBFCs borrowings raised from banks has fallen to 42% in FY13 from 50% in FY12 | Share of NBFCs borrowings raised from banks has fallen to 29.5% in FY13 from 31.7% in FY12 |
| • Debentures | Share of NBFCs borrowings raised through debentures has increased to 37.5% in FY13 from 29% in FY12 | Share of NBFCs borrowings raised through debentures has increased to 46.7% in FY13 from 45.4% in FY12 |
| Non-performing Assets | | |
| • Net NPAs to Net Advances | FY13: 0.8% FY12: 0.5% | FY13: 1.09% FY12: 1.29% |
| • Gross NPAs to Gross Advances | FY13: 2.4% FY12: 2.2% | FY13: 2.20% FY12: 2.12% |
| Capital to Risk Assets Ratio (CRAR) | In FY13, around 206 of 209 reporting NDFCs-D had capital to risk assets ratio (CRAR) of more than 15% | In FY13, majority of the reporting companies maintained CRAR at more than 15% with an exception of around 12% |

*NBFCs-D: NBFCs-Deposit taking, NBFCs-ND-SI: NBFCs-Non-Deposit taking-Systematically important

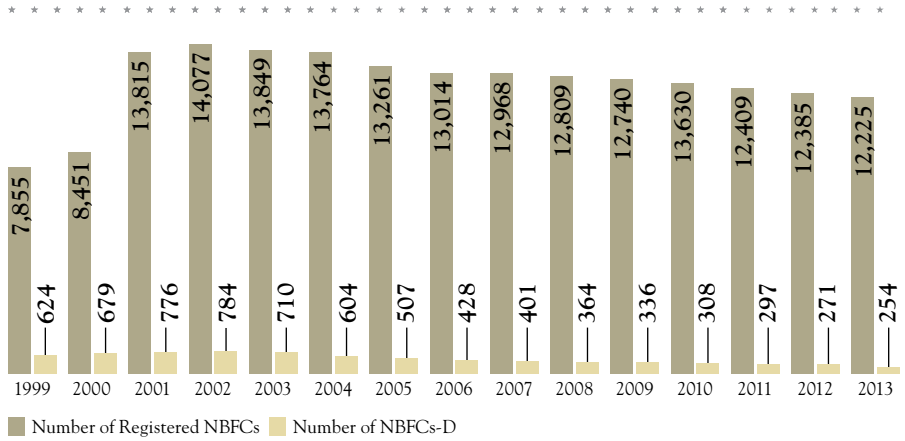
(Source: Report on Trend and Progress of Banking in India 2012-13, Reserve Bank of India)

INDUSTRY TRENDS

Growing industry consolidation

Since the past decade a new pattern is emerging in the NBFC sector. There is growing industry consolidation as the number of registered NBFCs demonstrates a decreasing trend, from 14,077 in 2002 to 12,225 in 2013.

NUMBER OF NBFCs REGISTERED WITH RBI (AS AT END-MARCH)

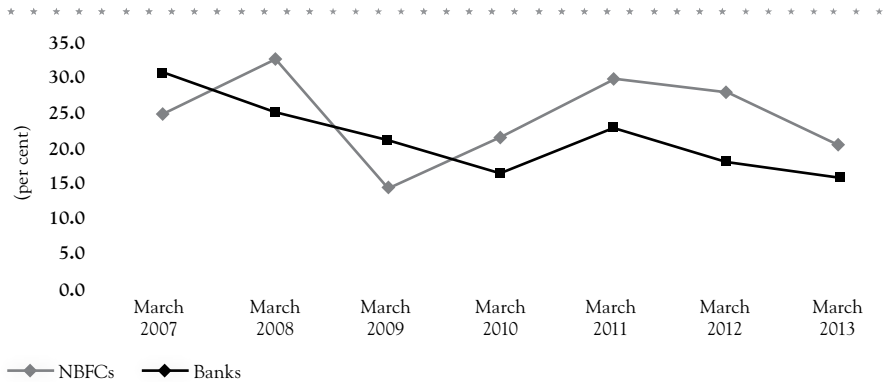


(Source: Reserve Bank of India)

Faster credit growth

NBFCs witnessed faster credit growth than the banking sector between March, 2007 and March, 2013. The sector grew at a Compound Annual Growth Rate (CAGR) of 24.3% during that period, compared to 21.4% for the banking sector. Such growth was primarily driven by infrastructure growth, credit and retail finance.

CREDIT GROWTH – NBFCs VS BANKS

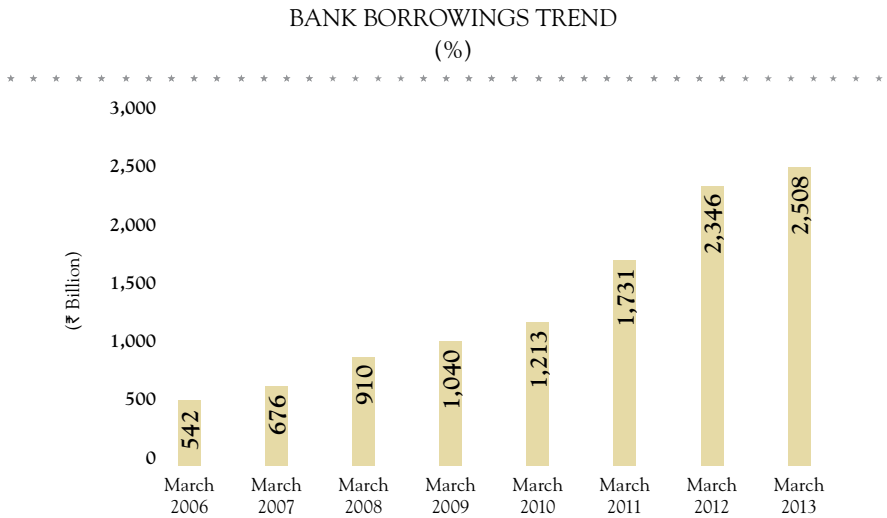


(Source: Reserve Bank of India)

Management Discussion and Analysis

Increasing trend in bank borrowings

Bank borrowings constitute a major source of finance for NBFCs. Bank borrowings have more than quadrupled between March, 2006 and March, 2013, growing from ₹ 542 billion as on March 31, 2006 to ₹ 2,508 billion as on March 31, 2013.



(Source: Reserve Bank of India)

GROWTH DRIVERS

Penetration in semi-urban and rural markets

Rising income levels and affordability in the semi-urban and rural markets provide strong lending opportunities. Moreover, cumbersome bank lending models discourage a significant population segment to approach banks, creating significant opportunities for NBFCs.

A rise in rural incomes is expected to propel construction activity in rural housing and provide possibilities for credit growth.

Product innovation and superior delivery

NBFCs maintain their niche positioning through product innovation and customisation, providing an edge over banks. Besides, the speed of credit delivery will accelerate industry growth.

Favourable economic climate

Economic prosperity unleashes aspirations of the people and brings to the fore a significant demand for credit to accomplish those aspirations. With India's economic revival, credit demand will increase significantly and help propel the industry's growth.

CHALLENGES Moderate loan growth

Small road transport operators are the primary customers for retail finance from NBFCs. Depressed freight availability and low utilisation have reduced their revenues and rising fuel costs have impacted their margins. Recovery from this customer segment will be an added focus for NBFCs.

Subdued demand for commercial and passenger vehicles may shift management focus towards improving recoveries and collection efficiencies. The slowdown in loan growth will, however, benefit their capitalisation. A revival in corporate capital expenditure and progress in infrastructure projects is expected to bring growth in credit demand in the second half of the FY 2014-15. Non-performing loans are expected to gradually reduce in FY 2014-15.

Interest burden

Escalating interest cost restricts the borrowing ability of NBFCs and results in high cost to the ultimate borrowers. NBFCs are highly dependent on bank financing and RBI's decision to keep rates higher or unchanged to protect a depreciating rupee and also to contain inflation has resulted in tight liquidity conditions. They borrow from the banking sector as well as foreign banks and financial institutions. Their dependence on short-term funding is high and unless there is a downward revision in rates, the long-term borrowing component of NBFCs shall remain low.

Statutory obligations & Regulatory environment

Adequate capital buffers are expected to be maintained by NBFCs of over 10% Tier1 capital. Securitisation transactions continue to be affected due to tax leakages which need to be addressed by the Government. Factoring activity has come to a virtual standstill due to regulatory changes. Moreover, all cases of NBFC mergers and acquisitions (M&A) would henceforth require prior RBI approval, which may impede the pace of M&A activity.

Regulatory developments by RBI

- Introduced a common registration form for all NBFCs
- Included a new category of NBFCs: Non Banking Financial Company-Micro Finance Institution (NBFC-MFI), bringing total number of listed categories to seven
- Allowed NBFCs to open branches/subsidiaries/JV/Rep offices overseas, subject to RBI approval and regulations
- NBFC investments in insurance companies were allowed up to a ceiling of 50%. RBI has now relaxed the 50% ceiling on a case-by-case basis.
- RBI has permitted NBFCs to lend up to 75% of the value of gold as collateral from 60% at present
- Interest rates charged by NBFC-MFIs will be calculated to be lower of the following:
 - The cost of funds plus margin
 - The average base rate of the five largest commercial banks by assets multiplied by 2.75

Recent guidelines to control increasing Non-Performing Assets (NPAs)

- Create a sub-asset category ‘Special Mention Accounts’ (SMA) with three sub-categories to identify incipient stress
 - Quarterly reporting of the relevant credit information to Central Repository of Information on Large Credits (CRILC) by NBFCs-SI and NBFC-Factors
 - Accelerated provisioning or supervisory actions in case of reporting failure by NBFCs
 - Independent and objective credit appraisal in all cases of lending by notified NBFCs
 - Permission to sell NPAs to other banks/Financial Institutions, excluding Securitisation / Reconstruction Companies
- *****

OUTLOOK

Today, India has a vibrant NBFC sector and industry players have established an identity of their own, with presence in niche market segments. NBFCs have registered steady and consistent growth by maintaining a strong through-the-cycle operating performance, stable asset quality, adequate capital buffers and diversified funding profits.

NBFCs are likely to sustain a steady growth trajectory, owing to their capability for product innovation and high customer reach. Moreover, increased income in the semi-urban and rural markets is also expected to drive industry demand. There is a recent surge in economic activities with stalled projects getting clearances and growing prospects of investment revival. Such a scenario is expected to drive credit demand and augurs well for the industry as a whole.

COMPANY OVERVIEW

Business overview

IndoStar Capital Finance Private Limited (IndoStar) is an independent wholesale credit institution, providing secured loans and structured financial solutions to corporate players across various industries. The Company’s focus on supplying credit through differentiated and customised lending products has helped it gain a strong foothold in the industry and emerge as a consistent credible institution.

Basket of offerings

- Secured corporate lending
- Lending in special situations like buyouts, acquisitions and others
- Loans against property to developers
- Co-lending activity and participation

Our edge

Strong management team

IndoStar’s team combines experience and expertise, adding to the credibility of the organisation. The team’s dynamic vision and approach helped the Company to navigate through challenging economic times and consistently deliver a robust performance.

Sponsors

The Company's sponsors and equity holders are reputed global financial institutions as well as private equity players, having international exposure and experience. Key investors include Everstone Capital, Ashmore, Goldman Sachs, Beacon India Private Equity Fund (BIPEF), ACPI Investment Managers and CDIB Capital.

Customised financing solutions

Differentiated product offerings in the form of structured and customised financial solutions help IndoStar in being a better loan provider to its customers. IndoStar's solutions include debt re-profiling, extending payment schedule to match client's cash flow generation, structuring and cash escrow facilities. IndoStar also ensures high collateral is maintained to create adequate buffers. Rigorous governance and due diligence is embedded in lending procedures to ensure the quality of the Company's loan asset portfolio.

Enduring relationships

The Company maintains enduring relationships with over 50 corporate houses, 18 banks and 12 mutual funds.

Robust balance sheet

IndoStar maintains a diversified asset portfolio without any specific industry preference. Real Estate lending is maintained at one-third of the portfolio. This approach helped the Company grow in a steadfast manner and reach a tangible net worth of ₹ 1,127 Crore in 2013-14.

Global benchmarking

The Company never compromises on its quality and incorporates best global standards and practices.

Financial review

IndoStar has put up a strong performance in FY2013-14, despite a challenging operating environment demonstrative of having the right policies and processes in place to drive profitable growth ahead.

Financial performance

| Particulars | ₹ in Crore | |
|------------------|------------|---------|
| | 2013-14 | 2012-13 |
| Total Income | 397 | 242 |
| Profit after tax | 112 | 90 |
| Borrowings | 1,898 | 1,104 |
| Net worth | 1,127 | 1,021 |

Revenue: The Company registered a growth of 64.3%, taking its total income from ₹ 241.6 Crore in FY 2012-13 to ₹ 396.9 Crore during the year under review.

Net profit: IndoStar's net profit rose by 24.4 % to reach ₹ 112.1 Crore in FY 2013-14 against ₹ 90.1 Crore in FY 2012-13.

Net worth: IndoStar's tangible net worth increased by 10.4% to reach ₹ 1,127 Crore in FY 2013-14 from ₹ 1,021 Crore in FY 2012-13.

Loans disbursed: IndoStar's loan book stood at ₹ 2,572 Crore during the year under review. The Company's loan portfolio comprises ₹ 1,217 Crore for meeting its operating requirements, loans against property of ₹ 983 Crore and other loans of ₹ 372 Crore.

RISK MANAGEMENT

Risk is integral to all business operations. Moreover in an uncertain business environment the likelihood of potential risks cannot be ruled out in any industry. Therefore, the need of the hour is to evolve a robust business model that undertakes predictive analysis of potential risks and initiates relevant mitigation measures.

The Company adopts prudent risk management policies to safeguard all its stakeholders' interests and consistently create value. The risk management policies include KYC Policy, Anti-Money Laundering Policy, Investment & Loans Policy, Underwriting Risk Guidelines, Interest Rate Policy and Fair Practice Code. There are several committees including the Risk Management Committee, Credit Committee, ALCO and Audit Committee to implement and review such policies at regular intervals of time. In addition, the Company also appoints various external professional agencies and legal advisors to monitor these policies.

INTERNAL CONTROL SYSTEMS

The Company has comprehensive internal control systems that are commensurate with the size and nature of its business. These systems are designed in a manner to provide reasonable assurance about the integrity and reliability of the financial statements. The Company adopts prudent lending policies and exercises due diligence to safeguard its loan asset portfolio. The loan approval process involves origination and sourcing of business, credit appraisal and credit approval by various committees, including the Credit Committee, Risk Management Committee and so on.

HUMAN RESOURCE MANAGEMENT

Human assets with globally benchmarked skills and knowledge base represent the cornerstone of IndoStar's success. The Company has a diversified talent pool with expertise in areas like credit evaluation, risk and treasury management, information technology, client relations and others. Its focus on training helps enhance employee skill and knowledge base and makes them competent to deliver high-quality services to the Company's clients.

IndoStar's human resource policies aim to build sustainable employee relationships and ensure a low attrition rate.

**CAUTIONARY
STATEMENTS**

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

Directors' Report

Dear Members,

Your Directors have the pleasure in presenting the Fifth Annual Report on the affairs of your Company together with the Audited Statement of Accounts for the year ended 31 March, 2014.

FINANCIAL HIGHLIGHTS

The highlights of the financial results of the Company for the financial years 2013-14 and 2012-13 are as under:

₹ in Crore

| Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| Total Income | 396.90 | 241.58 |
| Total Expenditure | 227.65 | 111.89 |
| Profit before tax | 169.25 | 129.69 |
| Less : Provision for taxation: | | |
| - Current Tax | 61.39 | 39.86 |
| - Deferred Tax Liability | (4.28) | (0.26) |
| Net Profit after tax | 112.14 | 90.09 |
| Transfer to Reserve Fund U/s 45-IC of the Reserve Bank of India Act, 1934 | 22.43 | 18.02 |
| Balance brought forward from previous period | 107.45 | 35.38 |
| Balance carried to Balance Sheet | 197.17 | 107.45 |

FINANCIAL PERFORMANCE

During the year, the Gross Income of the Company was ₹ 396.90 Crore and the Profit after Tax was ₹ 112.14 Crore (Previous Year: ₹ 241.58 Crore and ₹ 90.09 Crore, respectively). The Company's tangible Net Worth as on 31 March, 2014 was at ₹ 1,127.40 Crore against ₹ 1,021.11 Crore as on 31 March, 2013.

As part of its risk management process and to have a prudent risk provisioning / reserve policy for loan assets, a provision of ₹ 5.41 Crore at the rate of 0.40% (Previous Year: ₹ 2.76 Crore at the rate of 0.30%) of outstanding standard assets was made this year, which is 60% in excess of 0.25% of outstanding standard assets as required pursuant to the Reserve Bank of India (RBI) requirement in this regard.

An amount of ₹ 22.43 Crore (Previous Year: ₹ 18.02 Crore) is proposed to be transferred to Special Reserve Fund pursuant to Section 45-IC of the RBI Act, 1934.

DIVIDEND

Since the Company is in a growth phase, your Directors consider it prudent to conserve resources and therefore, despite sufficient distributable profits, do not recommend any dividend on equity shares for the financial year under review.

BUSINESS OVERVIEW

The Company continues to maintain its focus on building its lending business. Its customers are primarily corporate entities who need funding for their diverse financial needs, including project and capital expenditure funding, long term working capital, special situations and acquisition financing.

The Company aims to provide debt financing solutions to borrowers and towards this objective, it seeks participation of banks, finance companies and mutual funds to supplement its own lending activities.

Over the past three years since its inception, the Company has put in place strong systems and processes for the sustained growth of the Company. The Company has a strong team of professionals well versed in the structured finance area, especially in matters relating to credit and operational risk identification and management. This has resulted in the orderly growth of the Company with practically no credit losses since inception.

For the year ended 31 March, 2014, the loan book of the Company was ₹ 2,572 Crore, which included loans to companies for meeting their operating and Capex requirements ₹ 1,217 Crore, loans to property developers ₹ 983 Crore and asset collateralised & other loans of ₹ 372 Crore, giving the Company a diversified loan book.

As part of its liquidity management policy, the Company continues to keep in excess of 15% of its net worth as treasury assets, at all times.

DEBT ASSET MANAGEMENT BUSINESS

The Company is pursuing its objective of establishing a debt asset management business. The launch of a domestic fund under the AIF guidelines of SEBI is proposed to be pursued in the coming financial year as the investor sentiments are likely to be more positive in line with a more stable business environment. The Company would continue to pursue and evaluate opportunities in this arena in consonance with its objectives of building a sound asset management business in the credit space.

CONVERSION INTO PUBLIC LIMITED COMPANY

The Company was converted into a Public Limited Company with effect from 28 May, 2014 after obtaining necessary approvals.

SUBSIDIARY

As on 31 March, 2014, your Company had one Subsidiary, IndoStar Asset Advisory Private Limited.

RESOURCES AND LIQUIDITY

Your Company has diversified funding sources including loans from public sector banks, private banks, mutual funds, financial institutions. Funds were raised in line with Company's Resource Planning Policy through term loans, secured redeemable non-convertible debentures and commercial paper.

For the year ended 31 March, 2014, the Company has raised ₹ 1,000 Crore from Bank borrowings from 18 banks (outstanding ₹ 1,281 Crore), ₹ 435 Crore by issuances of Commercial Paper (outstanding ₹ 175 Crore) and a further ₹ 185 Crore through issuance of Secured, Rated, Redeemable, Non-Convertible Debentures (outstanding ₹ 450 Crore) on a private placement basis, traded on Wholesale Debt Segment of the Bombay Stock Exchange Limited.

Directors' Report

The applicable disclosures as stipulated under the Listing Agreement for Debt Securities executed with the Bombay Stock Exchange Limited as on 31 March 2014 are given at Annexure I.

The Company's Debt Equity ratio as on 31 March 2014 stands at 1.67:1.

CREDIT RATING

a) Short Term

During the period under review, Credit Analysis & Research Limited ("CARE") and ICRA Limited ("ICRA") retained the "CARE A1+" (pronounced "CARE A One Plus") and "ICRA A1+" (pronounced "ICRA A One Plus") ratings, respectively, in respect of the short term borrowing programme of the Company.

Subsequent to the year under review, CRISIL Limited ("CRISIL") has assigned the "CRISIL A1+" (pronounced "CRISIL A One Plus") in respect of the short term debt programme of the Company.

The grade of rating indicates a very strong degree of safety regarding timely servicing of short term financial obligations and further indicates that the borrowing carries the lowest credit risk.

During the period under review, the limit under short term borrowing programme of the Company stands unchanged at ₹ 300 Crore.

b) Long Term

During the period under review, Credit Analysis & Research Limited ("CARE") has retained the "CARE AA-" (pronounced "CARE Double A Minus") rating in respect of the long-term borrowing programme of the Company. The grade of rating indicates a high degree of safety regarding timely servicing of long term financial obligations and further indicates that the borrowing carries very low credit risk.

During the period under review, the sub limits under long term borrowing programme of the Company for bank facilities and non-convertible debentures were aggregated to a combined long term debt programme.

Further, the amount for which the rating for long term borrowings is rated, stands at ₹ 2,450 Crore, an increase of ₹ 1,050 Crore over last year.

OUTLOOK

The Company would continue to focus on building up its core business of structured lending to the corporate sector. This business requires a good assimilation of credit assessment, structuring capabilities with a deep understanding of the regulatory environment. As the Company has built up strong capabilities in all three areas, it is well poised to grow this business.

The Company is keen to develop a lending portfolio in the semi wholesale segment given the growth potential. It is exploring various options including alliances with other finance companies which are active in this sphere of activity.

Such an alliance would provide a more diversified mix of assets on the Company's balance sheet by supplementing large-ticket wholesale loans with small-ticket loans; it will help Company get a steady stream of assets eligible for bank refinancing at healthy interest spread, improving over-all portfolio growth and facilitate liability management. All of these would diversify the business profile of the Company and potentially enhance its valuation.

**CAPITAL
ADEQUACY
RATIO & NET
OWNED FUNDS**

The RBI requires every systemically important non-deposit taking non-banking financial company to maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15% of its aggregate risk-weighted assets on balance sheet and of risk-adjusted value of off-balance sheet items. The Capital to Risk Assets Ratio (CRAR) of the Company as on 31 March 2014 stood at 41.45%, which is well above CRAR prescribed by the RBI.

It is the intention of the Company to maintain the CRAR at or above 25%.

The Net Owned Funds of the Company as on 31 March 2014 stood at ₹ 1,127 Crore, a 10.41% increase over the previous year.

**PARTICULARS
OF DEPOSITS**

The Company being a 'Non-Deposit Accepting and Holding Non-Banking Finance Company' has not accepted any deposits from the public during the year under review and shall not accept any deposits from the public without obtaining prior approval of the RBI.

RBI GUIDELINES

As on 31 March 2014, the Company has complied with all regulations and guidelines of the RBI, as are applicable to it as a systemically important non-deposit accepting NBFC.

**CORPORATE
GOVERNANCE**

The report on Corporate Governance for the Company is annexed and forms an integral part of the Annual Report.

**DIRECTORS'
RESPONSIBILITY
STATEMENT**

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- b) the selected accounting policies were applied consistently and made based on judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the Profit of the Company for the period ended on that date;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the accounts have been prepared on a going concern basis.

Directors' Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy & technology absorption as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to the Company.

The Company's activities do not require any technology to be absorbed on the lines of what is mentioned in the aforesaid rules. However, the Company is taking all possible steps for the efficient use of electricity.

The details of the earnings and outgo in Foreign Exchange during the year under review are provided below.

| Expenses in Foreign Currency (Accrual Basis) | ₹ in Lakh | |
|---|-------------------------------------|-------------------------------------|
| | For the Year ended 31 March 2014 | For the Year ended 31 March 2013 |
| Travelling Expenses | 0.19 | 4.69 |
| Conference Charges | - | 2.79 |
| Membership & subscription | 0.06 | - |
| Commission to Directors | 3.00 | - |
| Meeting Expenses | 0.57 | - |
| Total | 3.82 | 7.48 |

PARTICULARS OF EMPLOYEES

The statement containing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is given as an annexure appended hereto and forms part of this report. The report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining the copy of annexure may write to the Company Secretary at the Registered Office of the Company.

AUDITORS

M/s. S R B C & Co. LLP, Chartered Accountants, are the Statutory Auditors of the Company for the financial year ended 31 March 2014 and will hold office till the ensuing Annual General Meeting. They have expressed their unwillingness to continue.

M/s. S R Batliboi & Co. LLP, Chartered Accountants, being eligible for appointment, have consented and confirmed that the appointment, if made, shall be within the limits prescribed under Section 139(1) read with section 141 of the Companies Act, 2013 and rule 3 read with rule 10 of (Audit and Auditors) Rules, 2014.

The Board recommends the appointment of M/s. S R Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company.

The Members may also note that M/s. KPMG, Chartered Accountants had been appointed as Internal Auditors of the Company for the financial year 2013 - 14 pursuant to Section 138 of the Companies Act, 2013 and the provisions of the Companies (Auditor's Report) Order 2003.

ACKNOWLEDGE- MENT

The Board takes this opportunity to record its sincere appreciation for the dedicated services rendered by its employees at all levels. We would like to express our grateful appreciation for the assistance and support extended by the Reserve Bank of India, financial institutions, banks, stakeholders, rating agencies, auditors, all other government-semi government authorities and other business associates.

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

Place: Mumbai
Date: 4 June, 2014

Vimal Bhandari
Managing Director & CEO

Rajesh Mehta
Director

Annexure I

Disclosures pursuant to Clause 28 of the Listing Agreement for Debt Securities entered with the Bombay Stock Exchange Limited, as on 31 March 2014.

A. With respect to Parent and Subsidiary Companies

| Sr. No. | In the books of an Issuer who is a | Disclosures of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year | Details |
|---------|------------------------------------|---|---------|
| 1. | Parent: | • Loans and advances in the nature of loans to subsidiaries by name and amount | N.A. |
| | | • Loans and advances in the nature of loans to associates by name and amount | N.A. |
| | | • Loans and advances in the nature of loans where there is – | N.A. |
| | | (i) no repayment schedule or repayment beyond seven years; or | N.A. |
| | | (ii) no interest or interest below section 372A of Companies Act by name and amount | N.A. |
| | | (iii) Loans and advances in the nature of loans to firms / companies in which directors are interested by name and amount | |
| 2. | Subsidiary: | • Loans and advances in the nature of loans to parent company and amount | N.A. |
| | | • Loans and advances in the nature of loans to associates by name and amount | N.A. |
| | | • Loans and advances in the nature of loans where there is – | |
| | | (i) no repayment schedule or repayment beyond seven years; or | N.A. |
| | | (ii) no interest or interest below section 372A of Companies Act by name and amount | N.A. |
| | | (iii) Loans and advances in the nature of loans to firms / companies in which directors are interested by name and amount | N.A. |

| Sr. No. | In the books of an Issuer who is a | Disclosures of amounts at the year end and the maximum amount of loans / advances / investments outstanding during the year | Details |
|---------|------------------------------------|---|---------|
| 3. | Parent: | Investment by the loanee (borrower) in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan | N.A. |

B. Cash Flow Statement

The Cash flow statement, along with the Balance Sheet and Profit and Loss Account, which are prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) issued by the Institute of Chartered Accountants of India forms part of this Annual Report.

Report on Corporate Governance

CORPORATE GOVERNANCE PHILOSOPHY

At IndoStar, we believe that sound corporate governance practices are the bedrock for the functioning of the institution and for the creation of value for its stakeholders on a sustainable and long-term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

BOARD COMPOSITION

The Company's Board has a primary role of trusteeship to protect and enhance stakeholder value through strategic supervision. The Board provides direction and exercises appropriate controls. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

At present, the Board comprises 3 (three) Independent Directors, 7 (seven) Non-Executive Directors representing shareholders and 2 (two) Whole-Time Directors.

Composition of the Board

| Name of the Director | Status |
|---------------------------|-------------------------|
| Mr. Sameer Sain | Non-Executive Director |
| Mr. Atul Kapur | Non-Executive Director |
| Mr. Dhanpal Jhaveri | Non-Executive Director |
| Mr. Rajesh Mehta | Non-Executive Director |
| Mr. Deepak I. Shahdadpuri | Non-Executive Director |
| Mr. Alok Oberoi | Non-Executive Director |
| Ms. Shweta Bhatia | Non-Executive Director |
| Mr. Ravi Narain | Independent Director |
| Mr. Eric Stuart Schwartz | Independent Director |
| Mr. Bobby Parikh | Independent Director |
| Mr. Vimal Bhandari | Managing Director & CEO |
| Mr. Shailesh Shirali | Whole-Time Director |

a. Board meetings

During the year under review, 4 (four) Board Meetings were held. These meetings were scheduled in a manner such that at least one meeting was held in every quarter.

b. Board committees

In compliance with its own governance requirements, the directions/guidelines issued by the RBI and the provisions of the Companies Act, 1956, the Board of Directors has constituted the following committees and the role of each committee has been broadly defined for effective business operations and governance of the Company..

Minutes of meetings of all Committees of the Board are placed before the Board for discussion and noting.

1. Credit Committee

The Credit committee is responsible for the deployment of all capital / resources of the Company. It approves credit proposals in accordance with risk policy approved by the Risk Management Committee of the Company.

The Credit Committee comprises seven Directors:

| Name of the Director | Status |
|---------------------------|----------|
| Mr. Sameer Sain | Chairman |
| Mr. Atul Kapur | Member |
| Mr. Dhanpal Jhaveri | Member |
| Mr. Rajesh Mehta | Member |
| Ms. Shweta Bhatia | Member |
| Mr. Deepak I. Shahdadpuri | Observer |
| Mr. Eric Stuart Schwartz | Observer |

2. Audit Committee

The Audit committee deals with all material questions concerning the auditing and accounting policies of the Company and its subsidiaries and their financial controls and systems or any other function as may be determined by the Board.

The Audit Committee comprises five Directors:

| Name of the Director | Status |
|---------------------------|----------|
| Mr. Bobby Parikh | Chairman |
| Mr. Dhanpal Jhaveri | Member |
| Mr. Rajesh Mehta | Member |
| Ms. Shweta Bhatia | Member |
| Mr. Deepak I. Shahdadpuri | Member |

3. Asset-Liability Management Committee (ALCO)

The ALCO monitors the asset liability composition of the Company's business and determines actions to mitigate risks associated with the asset liability mismatches.

The ALCO comprises six Directors:

| Name of the Director | Status |
|----------------------|----------|
| Mr. Dhanpal Jhaveri | Chairman |
| Mr. Atul Kapur | Member |
| Mr. Sameer Sain | Member |
| Mr. Rajesh Mehta | Member |
| Ms. Shweta Bhatia | Member |
| Mr. Vimal Bhandari | Member |

4. Risk Management Committee (RMC)

The RMC is responsible for setting up and reviewing risk management policies of the Company from time to time.

Report on Corporate Governance

The Risk Management Committee comprises six Directors:

| Name of the Director | Status |
|--------------------------|----------|
| Mr. Atul Kapur | Chairman |
| Mr. Dhanpal Jhaveri | Member |
| Mr. Rajesh Mehta | Member |
| Ms. Shweta Bhatia | Member |
| Mr. Eric Stuart Schwartz | Member |
| Mr. Bobby Parikh | Member |

5. Compensation & Nomination Committee

The Compensation and Nomination Committee decides on specific remuneration packages (including pension rights and compensation payments) of the Executive Directors, Whole-Time Directors, Non-Executive Directors, Senior-level employees and other matters.

The Compensation & Nomination Committee comprises five Directors:

| Name of the Director | Status |
|---------------------------|----------|
| Mr. Rajesh Mehta | Chairman |
| Mr. Deepak I. Shahdadpuri | Member |
| Ms. Shweta Bhatia | Member |
| Mr. Alok Oberoi | Member |
| Mr. Bobby Parikh | Member |

6. Executive Committee

The Executive Committee acts as an intermediate body between the Board and the senior management team if there are any shareholder related issues.

The Committee comprises four Directors including Mr. Dhanpal Jhaveri (Chairman), Mr. Rajesh Mehta, Mr. Vimal Bhandari and Mr. Shailesh Shirali.

7. Management Committee

The Management Committee is the principal forum for taking operational decisions for the effective functioning of the Company.

The Committee comprises Mr. Vimal Bhandari (Chairman), Mr. Shailesh Shirali and Mr. Pankaj Thapar.

8. Grievance Redressal Committee

The Grievance Redressal Committee addresses complaints of borrowers and clients, including but not limited to, applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans, change in terms and conditions, and any other grievance that a borrower or client may have against the Company.

The Committee comprises Mr. Vimal Bhandari and Mr. Pankaj Thapar.

9. Debenture Committee

The Debenture Committee determines and approves all matters relating to the issue of debentures and all other matters, acts and deeds that it deems necessary for this purpose.

The Committee comprises Mr. Dhanpal Jhaveri, Mr. Rajesh Mehta, Ms. Shweta Bhatia, Mr. Vimal Bhandari and Mr. Shailesh Shirali.

c. Policies and codes

In compliance with directions issued by the RBI, the Board of Directors has adopted several policies/guidelines for the effective governance of the Company.

1. Fair Practice Code

In accordance to the Fair Practice Code, the Company does not carry out retail lending business or any other activities of an NBFC except the activities of a secured wholesale lending business. In the event the Company does carry out retail lending, the activity is to be guided by a clearly demarcated process. The Fair Practice Code is available on our website, www.indostarcapital.com.

2. Investment Policy including policy on demand/call loans

This Investment Policy including policy on demand / call loans is in compliance with RBI's requirement to have a documented policy for investment and demand/call loans. The policy also describes the criteria to classify the investments into current and long term investments and process the Company will use to grant demand/call loans.

3. Policy on Single/Group Exposure Norms

This Policy on Single /Group Exposure Norms is in compliance with RBI's requirement to have a documented policy for putting in place ceilings on credit / investment concentration to a single party or a single group of parties as prescribed by the RBI.

4. Guidelines on Know Your Customer and Anti Money Laundering Policy

The KYC & AML Policy provides a comprehensive and dynamic framework and measures to be taken in regard to Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT). The primary objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. This policy document has been prepared in line with RBI guidelines and incorporates the RBI's approach to KYC, AML and CFT issues.

5. Risk Management Framework and Policy

The Company's Risk Policy encompasses the organisation structure, strategies, systems and procedures. It integrates various elements of risk management embodied in the business and administrative aspects of the Company into a unified enterprise-wide policy. The Policy is laid down keeping in view the organisation objectives, business strategy and complexity arising out of the products/services and other activities carried out in pursuit of these objectives and implementation of these strategies. A summary of the Risk Policy policy is available on our website, www.indostarcapital.com.

Report on Corporate Governance

6. Interest Rate Policy

The Company determines the pricing of loans in a transparent and open manner. This Interest Rate Policy is in compliance with RBI's requirement to have a documented policy for interest rates being charged on loans disbursed by the Company, and ensures coverage under the Fair Practices Code circular issued by RBI. Since the Company focuses on providing credit only to customers meeting its credit standards for varying tenors, the interest rate applicable to each loan account, is assessed on a case-to-case basis, based on the evaluation of various factors. The Interest Rate policy is available on our website, www.indostarcapital.com.

7. ALCO Policy and as an important part, the Treasury Deployment Policy

The ALCO policy provides a comprehensive and dynamic framework for assessing, measuring, monitoring and managing ALM risks. It also involves altering the asset liability portfolio in a dynamic way in order to manage ALM risks. The policy also describes the process the ALCO Committee will use to evaluate the effectiveness of the Company's internal control procedures. The ALCO policy is available on our website, www.indostarcapital.com.

The Treasury Deployment Policy provides guidelines on how we will productively deploy our temporarily surplus funds, pending deployment of funds in loan assets.

In addition, as a part of its larger good corporate governance initiative, the Board of Directors has also adopted the certain policies and codes.

1. Code of Conduct for Directors & Employees

The Code of Conduct for Directors & Employees provides for employees to conduct their business and affairs in full compliance with applicable laws, rules and regulations of India. The Code is applicable to all Employees of the Company, including Whole-Time Directors and to the Non-Executive Directors to the extent of their role and responsibilities in the Company.

2. Code of Conduct for Prevention of Insider Trading

The self-regulated Code is designed to maintain the highest ethical standards whilst dealing with Securities specified in the Restricted List / the Grey List.

3. Media Communication Policy

The Media Communication Policy encompasses the organisation structure, systems and procedures to manage communications with external audiences in a co-ordinated way via appointed spokespersons and our messages are not only consistent but aligned with the policies and needs of the Company.

4. Record Retention Policy

The Record Retention Policy provides for the systematic review, retention, and destruction of records and documents received or created by the Company.

5. Whistle-Blower Policy

This policy is formulated to provide a mechanism to anyone connected with the Company to approach and disclose unethical and improper practices or any other wrongful conduct in the Company and to prevent managerial personnel from taking any adverse action against person(s) reporting such matters.

Independent Auditor's Report

To the Members of IndoStar Capital Finance Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Indostar Capital Finance Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956

Independent Auditor's Report

("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S R B C & Co LLP**
Chartered Accountants
ICAI Firm's Registration Number: 324982E

per **Shrawan Jalan**
Partner
Membership No. 102102

Place : Mumbai
Date : May 22, 2014

Annexure referred to in paragraph 4 of our report of even date

Re: Indostar Capital Finance Private Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial portion of fixed assets during the year.
- (ii) The Company's business does not involve inventories and accordingly the requirements under paragraph 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct major weakness in internal control system of the Company in respect of these areas.
- (v) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

Annexure referred to in paragraph 4 of our report of even date

Re: Indostar Capital Finance Private Limited ('the Company')

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, service tax, cess and other material statutory dues applicable to it. The provisions relating to employees' state insurance, wealth tax, investor education and protection fund, sales tax, custom duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, service tax and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilisation have been deployed in liquid investments payable on demand. The maximum amount of idle/surplus funds invested during the year was ₹ 1,450,000,000 of which ₹ Nil was outstanding at the end of the year.

Annexure referred to in paragraph 4 of our report of even date

Re: Indostar Capital Finance Private Limited ('the Company')

- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has issued 1,850 secured debentures of ₹ 1,000,000 each during the period covered by our audit report. The Company has created security or charge in respect of debentures issued.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S R B C & Co LLP**
Chartered Accountants
ICAI Firm's Registration Number: 324982E

per **Shrawan Jalan**
Partner
Membership No. 102102

Place : Mumbai
Date : May 22, 2014

Balance Sheet

as at March 31, 2014

| Particulars | Note No. | Amount in ₹ | |
|---|----------|-----------------------|-----------------------|
| | | As at March 31, 2014 | As at March 31, 2013 |
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' funds | | | |
| (a) Share capital | 3 | 683,227,320 | 684,366,783 |
| (b) Reserves and surplus | 4 | 10,673,291,831 | 9,565,245,009 |
| | | 11,356,519,151 | 10,249,611,792 |
| (2) Non-current liabilities | | | |
| (a) Long-term borrowings | 5 | 11,915,701,060 | 7,091,450,216 |
| (b) Other Long term liabilities | 6 | 578,132,245 | 127,998,621 |
| (c) Long term provisions | 7 | 108,974,249 | 82,873,771 |
| | | 12,602,807,554 | 7,302,322,608 |
| (3) Current liabilities | | | |
| (a) Short-term borrowings | 8 | 1,668,424,475 | 1,337,581,897 |
| (b) Trade payables (Refer note 27) | | 2,662,293 | 19,494,649 |
| (c) Other current liabilities | 6 | 5,947,898,998 | 3,085,636,585 |
| (d) Short-term provisions | 7 | 29,704,094 | 76,198,708 |
| | | 7,648,689,860 | 4,518,911,839 |
| TOTAL | | 31,608,016,565 | 22,070,846,239 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | 9 | | |
| (i) Tangible assets | | 9,615,943 | 17,619,865 |
| (ii) Intangible assets | | 1,237,725 | - |
| (iii) Intangible assets under development | | - | 371,630 |
| (b) Non-current investments | 10 | 608,500,000 | 650,000,000 |
| (c) Deferred tax assets (net) | 11 | 81,302,957 | 38,493,575 |
| (d) Long term loans and advances | 12 | 21,368,098,987 | 12,983,055,723 |
| (e) Other non-current assets | 13 | 104,048,513 | 49,651,622 |
| | | 22,172,804,125 | 13,739,192,415 |
| (2) Current assets | | | |
| (a) Current investments | 14 | - | 493,457,000 |
| (b) Cash and bank balances | 15 | 4,681,700,721 | 2,820,978,471 |
| (c) Short-term loans and advances | 12 | 4,495,639,780 | 4,785,388,104 |
| (d) Other current assets | 13 | 257,871,939 | 231,830,249 |
| | | 9,435,212,440 | 8,331,653,824 |
| TOTAL | | 31,608,016,565 | 22,070,846,239 |

Significant Accounting Policies 2.1

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

As per our report of even date

For **S R B C & Co LLP**
ICAI Firm Registration No. 324982E
Chartered Accountants

per **Shrawan Jalan**
Partner
Membership No. 102102

Place : Mumbai
Date : May 22, 2014

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

Vimal Bhandari **Rajesh Mehta** **Pankaj Thapar**
MD and CEO Director Chief Financial Officer

Jitendra Bhati
Company Secretary

Statement of Profit and Loss

for the year ended March 31, 2014

| Particulars | Note No. | Amount in ₹ | |
|-----------------------------------|----------|---------------------------|---------------------------|
| | | Year Ended March 31, 2014 | Year Ended March 31, 2013 |
| INCOME | | | |
| Revenue from operations | 16 | 3,945,636,099 | 2,334,354,444 |
| Other income | 17 | 23,410,335 | 81,423,097 |
| TOTAL | | 3,969,046,434 | 2,415,777,541 |
| EXPENDITURE | | | |
| Employee benefit expenses | 18 | 251,912,848 | 223,158,837 |
| Finance cost | 19 | 1,918,853,189 | 758,646,143 |
| Depreciation and amortisation | 9 | 8,713,800 | 7,723,440 |
| Other expenses | 20 | 83,522,398 | 101,781,715 |
| Provisions | 21 | 13,541,381 | 27,593,350 |
| TOTAL | | 2,276,543,616 | 1,118,903,485 |
| PROFIT BEFORE TAXATION | | 1,692,502,818 | 1,296,874,056 |
| PROVISION FOR TAXATION | | | |
| Current tax | | 613,950,379 | 398,531,457 |
| Deferred tax Asset | 11 | (42,809,382) | (2,600,510) |
| TOTAL TAX EXPENSE | | 571,140,997 | 395,930,947 |
| NET PROFIT AFTER TAXES | | 1,121,361,821 | 900,943,109 |
| EARNINGS PER SHARE | 22 | | |
| Basic (₹) | | 16.34 | 13.13 |
| Diluted (₹) | | 16.34 | 13.13 |
| Nominal value of equity share (₹) | | 10 | 10 |

Significant Accounting Policies

2.1

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

As per our report of even date

For **S R B C & Co LLP**
ICAI Firm Registration No. 324982E
Chartered Accountants

per **Shrawan Jalan**
Partner
Membership No. 102102

Place : Mumbai
Date : May 22, 2014

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

Vimal Bhandari **Rajesh Mehta** **Pankaj Thapar**
MD and CEO Director Chief Financial Officer

Jitendra Bhati
Company Secretary

Cash Flow Statement

for the year ended March 31, 2014

| Particulars | Amount in ₹ | |
|--|------------------------------|------------------------------|
| | Year Ended March 31, 2014 | Year Ended March 31, 2013 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxes | 1,692,502,818 | 1,296,874,056 |
| Depreciation and amortisation | 8,713,800 | 7,723,440 |
| Provisions for non performing assets | 19,384,975 | - |
| Provisions for standard assets | (5,843,594) | 27,593,350 |
| Provision for gratuity | (341,763) | (314,762) |
| Provision for leave encashment | (82,676) | 437,362 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 1,714,333,560 | 1,332,313,446 |
| MOVEMENTS IN WORKING CAPITAL: | | |
| Increase / (decrease) in trade payables | (16,832,356) | (38,488,096) |
| Increase / (decrease) in other liabilities | 3,312,396,037 | 3,165,030,180 |
| Decrease / (increase) in loans and advances | (8,109,749,403) | (9,054,271,189) |
| Decrease / (increase) in other assets | (80,438,580) | (243,189,604) |
| CASH GENERATED FROM OPERATIONS | (3,180,290,742) | (4,838,605,263) |
| Direct taxes paid (net of refunds) | (647,461,457) | (365,089,816) |
| NET CASH FLOW FROM / USED IN OPERATING ACTIVITIES (A) | (3,827,752,199) | (5,203,695,079) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed including intangible assets | (1,581,090) | (5,955,673) |
| Proceeds from sale of fixed assets | 5,117 | - |
| Repayments from fixed income debt instruments | 41,600,000 | - |
| Purchase of debt mutual fund units & fixed income debt instruments | (13,955,140,000) | (27,758,624,915) |
| Sale of debt mutual fund units & fixed income debt instruments | 14,448,497,000 | 27,905,820,803 |
| NET CASH USED IN INVESTING ACTIVITIES (B) | 533,381,027 | 141,240,215 |

Cash Flow Statement

for the year ended March 31, 2014

| Particulars | Amount in ₹ | |
|--|------------------------------|------------------------------|
| | Year Ended March 31, 2014 | Year Ended March 31, 2013 |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received from issue of commercial papers | 330,842,578 | 344,238,470 |
| Term loans from banks | 3,469,414,383 | 4,441,450,216 |
| Amount received on issue of NCDs | 1,354,836,461 | 2,650,000,000 |
| NET CASH FROM FINANCING ACTIVITIES (C) | 5,155,093,422 | 7,435,688,686 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C) | 1,860,722,250 | 2,373,233,822 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 2,820,978,471 | 447,744,649 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 4,681,700,721 | 2,820,978,471 |
| COMPONENTS OF CASH AND CASH EQUIVALENTS | | |
| Cash and Cash Equivalents at the end of the year | | |
| i) Cash on hand | - | 508 |
| ii) Balances with scheduled banks in: | | |
| Current accounts | 1,151,700,721 | 122,421,783 |
| Deposits with original maturity of less than three months | 3,115,000,000 | 2,498,556,180 |
| Deposits with original maturity of more than three months but less than six months | 415,000,000 | 200,000,000 |
| TOTAL CASH AND CASH EQUIVALENTS | 4,681,700,721 | 2,820,978,471 |

As per our report of even date

For **S R B C & Co LLP**
Firm Registration No. 324982E
Chartered Accountants

per **Shrawan Jalan**
Partner
Membership No. 102102

Place : Mumbai
Date : May 22, 2014

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

Vimal Bhandari
MD and CEO

Rajesh Mehta
Director

Pankaj Thapar
Chief Financial Officer

Jitendra Bhati
Company Secretary

Notes

forming part of the financial statements for the year ended March 31, 2014

- 1 CORPORATE INFORMATION** IndoStar Capital Finance Private Limited (formerly known as R V Vyapaar Private Limited) ('the Company') was incorporated on 21st July 2009. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company vide Certificate No. N-05.06857 dated June 17, 2010 (issued in the name of R V Vyapaar Private Limited). The Company is primarily engaged in Loans business. The Company has filed an application with the RBI to change the name in the Certificate of Registration to IndoStar Capital Finance Private Limited on November 24, 2010, and the same is not received till the balance sheet date.
- 2 BASIS OF PREPARATION** The financial statements have been prepared in conformity with generally accepted accounting principles to comply in all material respects with the notified Accounting Standards ('AS') under Companies Accounting Standard Rules, 2006, as amended, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Reserve Bank of India ('RBI') as applicable to a Non Banking Finance Company ('NBFC'). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.
- 2.1 SIGNIFICANT ACCOUNTING POLICIES**
- (a) **Presentation and disclosure of financial statements**
The Company has classified all its assets / liabilities into current / non-current portion based on the time frame of twelve months from the date of financial statements. Accordingly, assets / liabilities expected to be realised / settled within 12 months from the date of financials statements are classified as current and other assets / liabilities are classified as non current.
- (b) **Use of estimates**
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognised prospectively in the current and future years.
- (c) **Tangible/Intangible Fixed Assets, Depreciation / Amortisation and Impairment**
Tangible fixed assets
Fixed assets 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 fixed 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.
Depreciation on tangible fixed assets
Depreciation is provided on Straight Line Method ('SLM'), which reflect the management's estimate of the useful lives of the respective fixed assets and are greater than and equal to the corresponding rates prescribed in Schedule XIV of the Act.

Notes

forming part of the financial statements for the year ended March 31, 2014

The rates used are as follows:

| Particulars | Rates (SLM) | Schedule XIV rates |
|----------------------------|----------------|-----------------------|
| Furniture and Fixtures | 20% | 6.33% |
| Office Equipment | 20% | 4.75% |
| Office Equipment - Mobiles | 50% | |
| Computers | 33.33% | 16.21% |

Leasehold improvement is amortised on Straight Line Method over the lease term.

All fixed assets individually costing ₹ 5,000/- or less are fully depreciated in the year of installation.

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.

Amortisation on assets acquired/sold during the year is recognised on a pro-rata basis to the Statement of profit and loss account till the date of sale.

Intangible assets

Costs relating to acquisition and development of computer software are capitalized in accordance with the AS 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India ('ICAI') and are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life.

Impairment of 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 wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(d) Investments

Investments intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. Commercial papers are valued at carrying cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

Notes

forming part of the financial statements for the year ended March 31, 2014

(e) Provisioning / Write-off of assets

Non performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision on standard assets is made as per management estimates and is more than as specified in the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

(f) Loans

Loans are stated at the amount advanced and expenses recoverable, as reduced by the amounts received up to the balance sheet date.

(g) Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss account on a straight-line basis over the lease term.

(h) Foreign currency translation

Initial recognition

Transactions in foreign currency entered into during the year are recorded at the exchange rates prevailing on the date of the transaction.

Conversion

Monetary assets and liabilities denominated in foreign currency are translated in to Rupees at exchange rate prevailing on the date of the Balance Sheet.

Exchange differences

All exchange differences are dealt with in the Statement of profit and loss account.

(i) Revenue recognition

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

- i. Income from financing activities is recognised on accrual basis.
- ii. Interest income on fixed income debt instruments such as fixed deposits, certificate of deposits, non-convertible debentures and commercial papers is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Discount, if any, is recognised on a time proportion basis over the tenure of the securities.
- iii. Dividend is recognised as income when right to receive payment is established by the date of balance sheet.
- iv. Profit/loss on the sale of investments is determined on the basis of the weighted average cost method.

Notes

forming part of the financial statements for the year ended March 31, 2014

- v Origination fees is accounted upfront for as income when a significant portion of the arrangement is completed. The IRR portion of the fees collected, as per management estimate; is amortised over the tenure of the loan.
- vi Syndication fee / sell down fees is accounted upfront for as income when a significant portion of the arrangement/syndication is completed.
- vii Interest income on loan portfolio buyout is recognised on accrual basis at the agreed rate of interest on the diminishing balance of outstanding loan.

(j) Retirement and other employee benefits

Provident Fund

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

Gratuity

The Company 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 Company 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.

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.

(k) Income tax

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

Notes

forming part of the financial statements for the year ended March 31, 2014

certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

- (l) **Segment reporting policies**
The Company is engaged in loan / financing activities. It operates in a single business and geographical segment.
- (m) **Earnings per share**
Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.
- (n) **Provisions**
A provision is recognised when the Company 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.
- (o) **Cash and cash equivalents**
Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, cheques on hand, remittances in transit and short term investments with an original maturity of three months or less.
- (p) **Borrowing costs**
Borrowing cost includes interest and are charged to Profit & Loss in the year in which they are incurred. Ancilliary and other borrowing costs are amortised over the tenure of the underlying loan on straight line basis.
- (q) **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 Company 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 Company does not recognize a contingent liability but discloses its existence in the financial statements.

Notes

forming part of the financial statements for the year ended March 31, 2014

3 SHARE CAPITAL

| Particulars | Amount in ₹ | |
|---|-------------------------|-------------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| AUTHORISED | | |
| 80,000,000 (March 31, 2013: 80,000,000) Equity Shares of ₹ 10/- each | 800,000,000 | 800,000,000 |
| | 800,000,000 | 800,000,000 |
| ISSUED & SUBSCRIBED | | |
| EQUITY SHARES | | |
| 68,619,947 (March 31, 2013: 68,619,947) equity shares of ₹ 10/- each fully paid up | 686,199,470 | 686,199,470 |
| Less: 303,266 (March 31, 2013: 192,307) equity shares of ₹ 10/- each fully paid up issued to employees through Indostar trust or held by Indostar trust | (3,032,661) | (1,923,070) |
| 9,038,250 (March 31, 2013: 9,038,250) equity shares of ₹ 10/- each ₹ 0.01 paid up per share | 90,383 | 90,383 |
| Less: 2,987,240 (March 31, 2013: Nil) equity shares of ₹ 10/- each ₹ 0.01 paid up issued to employees through Indostar trust or held by Indostar trust | (29,872) | - |
| TOTAL | 683,227,320 | 684,366,783 |

a. Reconciliation of the equity shares outstanding at the beginning and at end of reporting period.

| Particulars | As at March 31, 2014 | | As at March 31, 2013 | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Numbers of shares | Amount in ₹ | Numbers of shares | Amount in ₹ |
| Shares outstanding at the beginning of the year | 77,658,197 | 686,289,853 | 77,658,197 | 686,289,853 |
| Issued during the period | - | - | - | - |
| | 77,658,197 | 686,289,853 | 77,658,197 | 686,289,853 |
| Less: Adjustment for fully paid up shares issued to employees through Indostar Trust or held by Indostar trust | - | (3,032,661) | - | (1,923,070) |
| Less: Adjustment for partly paid up shares issued to employees through Indostar Trust or held by Indostar trust | - | (29,872) | - | - |
| Shares outstanding at the end of the year | 77,658,197 | 683,227,320 | 77,658,197 | 684,366,783 |

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to 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.

Notes

forming part of the financial statements for the year ended March 31, 2014

c. Details of shareholders holding more than 5% shares in the Company

| Name of the shareholders | As at March 31, 2014 | | As at March 31, 2013 | |
|--|----------------------|------------------------|----------------------|------------------------|
| | No. of Shares | % holding in the class | No. of Shares | % holding in the class |
| Equity shares of ₹ 10/- each | | | | |
| Indostar Capital (Mauritius) (Holding Company) | 68,035,332 | 87.61 | 68,035,332 | 87.61 |

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

d. Shares reserved for issue under options

During the year, the Company has granted 10,000 (March 31, 2013: 323,000) options to its employees and directors, under the Employee Stock Option Scheme ('ESOP'). The options have been granted at fair value as determined by Category I merchant banker and hence there is no charge in the books of accounts. No options have vested in the current financial year.

4 RESERVES AND SURPLUS

| Particulars | Amount in ₹ | |
|---|-----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| SECURITIES PREMIUM ACCOUNT | | |
| Balance as per last account | 8,227,128,268 | 8,227,128,268 |
| Less: Premium on equity shares issued to employees through Indostar Trust | (36,391,929) | (23,076,930) |
| CLOSING BALANCE | 8,190,736,339 | 8,204,051,338 |
| OTHER RESERVES | | |
| Statutory reserve pursuant to Section 45-IC of The RBI Act, 1934 | | |
| Balance as per last account | 286,612,825 | 106,424,203 |
| Add: Transfer from Statement of profit and loss | 224,272,364 | 180,188,622 |
| CLOSING BALANCE | 510,885,189 | 286,612,825 |
| SURPLUS IN STATEMENT OF PROFIT AND LOSS | | |
| Balance as per last account | 1,074,580,846 | 353,826,359 |
| Add: Profit for the current year | 1,121,361,821 | 900,943,109 |
| Less: Appropriations | | |
| Transfer to statutory reserve as per Section 45-IC of The RBI Act, 1934 | (224,272,364) | (180,188,622) |
| NET SURPLUS IN THE STATEMENT OF PROFIT AND LOSS | 1,971,670,303 | 1,074,580,846 |
| TOTAL | 10,673,291,831 | 9,565,245,009 |

Notes

forming part of the financial statements for the year ended March 31, 2014

5 LONG TERM BORROWINGS

| Particulars | Amount in ₹ | | | |
|--|-----------------------|---------------------|----------------------|---------------------|
| | As at March 31, 2014 | | As at March 31, 2013 | |
| | Non Current portion | Current maturities* | Non Current portion | Current maturities* |
| Term loans from banks | | | | |
| Secured | 7,910,864,599 | 4,897,735,571 | 4,441,450,216 | 2,614,231,602 |
| Redeemable non convertible debentures | | | | |
| Secured | 4,004,836,461 | 500,000,000 | 2,650,000,000 | - |
| Less: transferred to Other liabilities | - | (5,397,735,571) | - | (2,614,231,602) |
| TOTAL | 11,915,701,060 | - | 7,091,450,216 | - |

* Amount disclosed under the head Other liabilities

a) Non Convertible Debenture

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

Terms of repayment as on March 31, 2014

| Redeemable within | Amount in ₹ | |
|-------------------|----------------------|---------------------|
| | Rate of interest | |
| | >= 0% < 13% | |
| | Non Current portion | Current maturities* |
| 0-12 Months | - | 500,000,000 |
| 12-24 Months | 304,247,749 | - |
| 24-36 Months | 2,000,000,000 | - |
| 36-48 Months | 350,000,000 | - |
| 48-60 Months | 1,200,588,712 | - |
| Above 60 Months | 150,000,000 | - |
| TOTAL | 4,004,836,461 | 500,000,000 |

Nature of Security:

- Security is created in favour of the Debenture Trustee, as follows:
 - pari-passu (with banks and financial institutions which provide credit facilities to the Issuer) first charge on by way of hypothecation on the standard asset portfolio of receivables; and
 - pari-passu first charge on immovable property situated at village Maharajpura of Kadi taluka, Mehsana district, Gujarat.
- 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.

Notes

forming part of the financial statements for the year ended March 31, 2014

(b) Term loan from bank:

| Particulars - Bank Name | Disbursement from | Maturity Date | Rate of interest | Repayment details | Amount in ₹ | |
|--|----------------------|------------------|------------------|----------------------------|------------------------|-----------------------|
| | | | | | As at March 31, 2014 | |
| | | | | | Non-Current portion | Current maturities |
| Axis Bank | 27-Sep-12 | 24-Mar-16 | >= 11% < 13% | 12-Quarterly repayments | 333,599,997 | 333,200,001 |
| Axis Bank - TL II | 29-Aug-13 | 28-May-17 | >= 11% < 13% | 12-Quarterly repayments | 750,000,000 | 250,000,000 |
| Bank of Baroda | 30-Sep-13 | 31-Mar-18 | >= 11% < 13% | 16-Quarterly repayments | 750,000,000 | 250,000,000 |
| Bank of India | 31-Oct-13 | 30-Apr-18 | >= 11% < 13% | 16-Quarterly repayments | 1,218,750,000 | 281,250,000 |
| Canara Bank | 19-Aug-13 | 19-Mar-17 | >= 11% < 13% | 12-Quarterly repayments | 666,666,667 | 333,333,333 |
| Corporation Bank | 11-Feb-13 | 25-Sep-16 | >= 11% < 13% | 12-Quarterly repayments | 150,000,000 | 100,000,000 |
| Development Credit Bank | 27-Dec-13 | 31-Dec-15 | >= 11% < 13% | 7-Quarterly repayments | 107,200,000 | 142,800,000 |
| ICICI Bank | 19-Jun-12 | 19-Jun-15 | >= 11% < 13% | 9-Quarterly repayments | 90,909,091 | 363,636,364 |
| Indian Overseas Bank | 27-Mar-14 | 31-Mar-19 | >= 11% < 13% | 18-Quarterly repayments | 888,888,889 | 111,111,111 |
| IndusInd Bank | 21-Mar-13 | 30-Nov-16 | >= 11% < 13% | 12-Quarterly repayments | 175,000,000 | 400,000,000 |
| ING Vysya Bank | 30-Jun-13 | 30-Jun-16 | >= 11% < 13% | 12-Quarterly repayments | 208,333,333 | 166,666,667 |
| Kotak Bank | 15-Nov-12 | 15-Nov-14 | >= 11% < 13% | 7-Quarterly repayments | - | 166,071,430 |
| Kotak Mahindra - TL II | 16-Sep-13 | 16-Sep-16 | >= 11% < 13% | 12-Quarterly repayments | 249,999,953 | 166,666,667 |
| Punjab National Bank | 31-Dec-12 | 13-Sep-16 | >= 11% < 13% | 12-Quarterly repayments | 466,666,667 | 333,333,333 |
| State Bank of Bikaner and Jaipur | 8-Jul-13 | 8-Jan-17 | >= 11% < 13% | 12-Quarterly repayments | 333,333,333 | 166,666,667 |
| State Bank of Hyderabad | 30-Mar-13 | 30-Sep-16 | >= 11% < 13% | 12-Quarterly repayments | 250,000,000 | 166,666,667 |

Notes

forming part of the financial statements for the year ended March 31, 2014

| Particulars - Bank Name | Disbursement from | Maturity Date | Rate of interest | Repayment details | Amount in ₹ | |
|----------------------------|----------------------|------------------|------------------|-------------------------|------------------------|-----------------------|
| | | | | | As at March 31, 2014 | |
| | | | | | Non-Current portion | Current maturities |
| State Bank of India | 3-Aug-12 | 3-Feb-16 | >= 11% < 13% | 12-Quarterly repayments | 667,200,000 | 666,400,000 |
| State Bank of Mysore | 17-Nov-12 | 17-May-16 | >= 11% < 13% | 12-Quarterly repayments | 104,050,005 | 83,399,997 |
| State Bank of Patiala | 28-Sep-12 | 28-Mar-16 | >= 11% < 13% | 12-Quarterly repayments | 333,599,997 | 333,200,001 |
| The Federal Bank | 19-Aug-13 | 19-Feb-17 | >= 11% < 13% | 12-Quarterly repayments | 166,666,667 | 83,333,333 |
| TOTAL | | | | | 7,910,864,599 | 4,897,735,571 |

Nature of Security:

Pari-passu (with banks and financial institutions which provide credit facilities to the Issuer) first charge on by way of hypothecation on the standard asset portfolio of receivables of ₹ 17,245,361,370/-.

6 OTHER LIABILITIES

| Particulars | Amount in ₹ | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | As at March 31, 2014 | | As at March 31, 2013 | |
| | Non Current | Current | Non Current | Current |
| Deposits from clients | 452,450,030 | - | 93,100,000 | 100,000,000 |
| Unamortised fees | 125,682,215 | 62,049,379 | 34,898,621 | 25,749,473 |
| Interest accrued but not due on loans | - | 397,238,740 | - | 264,400,479 |
| TDS payable | - | 5,192,483 | - | 30,044,677 |
| Statutory liabilities payable | - | 352,825 | - | 365,505 |
| Current maturities of long term debts (Refer Note 5) | - | 5,397,735,571 | - | 2,614,231,602 |
| Others | - | 85,330,000 | - | 50,844,849 |
| | 578,132,245 | 5,947,898,998 | 127,998,621 | 3,085,636,585 |

Notes

forming part of the financial statements for the year ended March 31, 2014

7 PROVISIONS

| Particulars | Amount in ₹ | | | |
|--|----------------------|-------------------|----------------------|-------------------|
| | As at March 31, 2014 | | As at March 31, 2013 | |
| | Long term | Short term | Long term | Short term |
| FOR EMPLOYEE BENEFIT | | | | |
| For gratuity | - | 262,365 | - | 604,128 |
| For leave encashment and availment | 926,326 | 50,587 | - | 1,059,589 |
| FOR OTHERS | | | | |
| For non-performing assets | 19,384,975 | - | - | - |
| For standard assets | 88,662,948 | 19,366,976 | 38,990,355 | 14,883,163 |
| For general contingency provision (Refer Note 28) | - | - | 43,883,416 | 16,116,584 |
| For income tax | - | 10,024,166 | - | 43,535,244 |
| [net of advance tax ₹ 1,096,135,680 (March 31, 2013: ₹ 448,674,224)] | | | | |
| TOTAL | 108,974,249 | 29,704,094 | 82,873,771 | 76,198,708 |

8 SHORT TERM BORROWING

| Particulars | Amount in ₹ | |
|----------------------------|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| UNSECURED LOAN | | |
| Commercial papers | | |
| i) From banks | 1,000,000,000 | - |
| ii) Other than banks | 750,000,000 | 1,350,000,000 |
| Less: Unamortised discount | (81,575,525) | (12,418,103) |
| TOTAL | 1,668,424,475 | 1,337,581,897 |

Notes

forming part of the financial statements for the year ended March 31, 2014

9 FIXED ASSETS

| Particulars | Tangible Assets | | | | | | | Intangible Assets | TOTAL ASSETS |
|-----------------------------|------------------|------------------|------------------|------------------------|-----------------------|-------------------|------------------|-------------------|--------------|
| | Land - Freehold | Computers | Office Equipment | Furniture and Fixtures | Leasehold Improvement | Total | | | |
| | | | | | | Software | | | |
| GROSS BLOCK | | | | | | | | | |
| As at April 1, 2012 | - | 4,059,875 | 1,524,227 | 2,792,684 | 13,457,589 | 21,834,375 | - | 21,834,375 | |
| Additions | 1,505,100 | 457,091 | 203,830 | 416,964 | 2,995,862 | 5,578,847 | - | 5,578,847 | |
| Deletions | - | - | - | - | - | - | - | - | |
| As at March 31, 2013 | 1,505,100 | 4,516,966 | 1,728,057 | 3,209,648 | 16,453,451 | 27,413,222 | - | 27,413,222 | |
| Additions | - | 137,544 | 328,656 | - | - | 466,200 | 1,486,520 | 1,952,720 | |
| Deletions | - | - | 15,250 | 441,360 | - | 456,610 | - | 456,610 | |
| As at March 31, 2014 | 1,505,100 | 4,654,510 | 2,041,463 | 2,768,288 | 16,453,451 | 27,422,812 | 1,486,520 | 28,909,332 | |
| DEPRECIATION | | | | | | | | | |
| As at April 1, 2012 | - | 248,994 | 141,475 | 199,713 | 1,484,931 | 2,075,113 | - | 2,075,113 | |
| Additions | - | 1,084,413 | 454,332 | 576,646 | 5,608,049 | 7,723,440 | - | 7,723,440 | |
| Deletions | - | - | - | 5,196 | - | 5,196 | - | 5,196 | |
| As at March 31, 2013 | - | 1,333,407 | 595,807 | 771,163 | 7,092,980 | 9,793,357 | - | 9,793,357 | |
| Additions | - | 1,536,880 | 442,792 | 877,521 | 5,607,812 | 8,465,005 | 248,795 | 8,713,800 | |
| Deletions | - | - | 10,133 | 441,360 | - | 451,493 | - | 451,493 | |
| As at March 31, 2014 | - | 2,870,287 | 1,028,466 | 1,207,324 | 12,700,792 | 17,806,869 | 248,795 | 18,055,664 | |
| NET BLOCK | | | | | | | | | |
| As at March 31, 2013 | 1,505,100 | 3,183,559 | 1,132,250 | 2,438,485 | 9,360,471 | 17,619,865 | - | 17,619,865 | |
| As at March 31, 2014 | 1,505,100 | 1,784,223 | 1,012,997 | 1,560,964 | 3,752,659 | 9,615,943 | 1,237,725 | 10,853,668 | |

Amount in ₹

Notes

forming part of the financial statements for the year ended March 31, 2014

10 NON-CURRENT INVESTMENTS

Amount in ₹

| Particulars | As at March 31, 2014 | | | As at March 31, 2013 | | |
|--|----------------------|--------------|--------------------|----------------------|------------|--------------------|
| | Face value | Quantity | Amount | Face value | Quantity | Amount |
| Unquoted - Equity shares | | | | | | |
| Investment in wholly owned subsidiary | | | | | | |
| IndoStar Asset Advisory Private Limited (Purchased 10,000 share of Face value of ₹ 10/- each during the year) | 10 | 1,000 | 100,000 | - | - | - |
| Quoted -Investments in debentures | | | | | | |
| Indrajit Power Private Limited | 936,000 | 650 | 608,400,000 | 1,000,000 | 650 | 650,000,000 |
| TOTAL | | 1,650 | 608,500,000 | | 650 | 650,000,000 |
| Aggregate Value of Quoted Investments | | | | | | |
| Cost of acquisition | | | 608,500,000 | | | 650,000,000 |
| Market Value | | | 608,500,000 | | | 650,000,000 |

11 DEFERRED TAX ASSETS (NET)

Amount in ₹

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|-------------------------|-------------------------|
| Opening balance | 38,493,575 | 35,893,065 |
| DEFERRED TAX ASSET CREATED DURING THE YEAR | | |
| Fixed asset: Impact of difference between tax depreciation and depreciation / amortisation charged for financial reporting period | 3,387,758 | 1,029,575 |
| Provision for standard assets | (1,986,238) | 8,952,662 |
| Origination fees unamortised | 43,069,057 | 12,750,222 |
| Provision for gratuity | 30,442 | 352,484 |
| Provision for leave encashment | - | 141,902 |
| Provision for non performing assets | 6,588,953 | - |
| TOTAL (A) | 51,089,972 | 23,226,845 |
| DEFERRED TAX LIABILITY CREATED DURING THE YEAR | | |
| Provision for leave encashment | (28,102) | - |
| Borrowing costs amortisation | (8,252,488) | (20,626,335) |
| TOTAL (B) | (8,280,590) | (20,626,335) |
| Net deferred tax asset for the year (A-B) | 42,809,382 | 2,600,510 |
| CLOSING BALANCE | 81,302,957 | 38,493,575 |

Notes

forming part of the financial statements for the year ended March 31, 2014

12 LOANS AND ADVANCES

| Particulars | Amount in ₹ | | | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | As at March 31, 2014 | | As at March 31, 2013 | |
| | Non Current portion | Current portion | Non Current portion | Current portion |
| UNSECURED, CONSIDERED GOOD | | | | |
| SECURITY DEPOSITS | | | | |
| Unsecured, considered good | 4,583,548 | - | 4,591,048 | - |
| SECURED, CONSIDERED GOOD | | | | |
| Hypothecation loans | 9,781,900,999 | 3,184,273,437 | 7,582,317,738 | 3,496,802,814 |
| Debentures | 10,302,386,726 | 308,598,581 | 5,343,199,570 | 93,000,000 |
| Short term loans | - | 250,000,000 | - | - |
| SECURED, CONSIDERED DOUBTFUL | | | | |
| Hypothecation loans | 193,849,748 | - | - | - |
| UNSECURED, CONSIDERED GOOD | | | | |
| Hypothecation loans | 1,000,000,000 | - | - | - |
| Debentures | - | 99,566,000 | - | - |
| Short term loans | - | 600,000,000 | - | 1,150,000,000 |
| Others | - | - | 6,750,000 | 7,250,000 |
| UNSECURED, CONSIDERED GOOD | | | | |
| Advances recoverable in cash or in kind or for value to be received | - | 271,597 | - | 2,084,993 |
| Prepaid expenses | 85,377,966 | 52,571,436 | 46,197,367 | 35,691,190 |
| Service tax (input credit) | - | 189,420 | - | 356,706 |
| Others | - | 169,309 | - | 202,401 |
| TOTAL | 21,368,098,987 | 4,495,639,780 | 12,983,055,723 | 4,785,388,104 |

13 OTHER ASSETS

| Particulars | Amount in ₹ | | | |
|---|----------------------|--------------------|----------------------|--------------------|
| | As at March 31, 2014 | | As at March 31, 2013 | |
| | Non Current portion | Current portion | Non Current portion | Current portion |
| Interest accrued on investments | - | 12,789,244 | - | 18,728,937 |
| Interest accrued but not due on loans | 104,048,513 | 228,151,914 | 49,651,622 | 203,867,427 |
| Interest accrued on fixed deposits with banks | - | 16,930,781 | - | 9,233,885 |
| TOTAL | 104,048,513 | 257,871,939 | 49,651,622 | 231,830,249 |

Notes

forming part of the financial statements for the year ended March 31, 2014

14 CURRENT INVESTMENTS

Amount in ₹

| Particulars | Face value | Quantity | Quantity | Amount | Amount |
|---|------------|----------------------|----------------------|----------------------|----------------------|
| | | As at March 31, 2014 | As at March 31, 2013 | As at March 31, 2014 | As at March 31, 2013 |
| At Cost or fair value whichever is lower | | | | | |
| INVESTMENT IN CERTIFICATE OF DEPOSITS - UNQUOTED | | | | | |
| ING Vysya Bank | 5,000 | - | 98,691.40 | - | 493,457,000 |
| TOTAL | | | | - | 493,457,000 |
| Aggregate Value of Unquoted Investments | | | | | |
| Cost of acquisition | | | | - | 493,457,000 |

15 CASH AND BANK BALANCES

Amount in ₹

| Particulars | As at March 31, 2014 | | As at March 31, 2013 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Non Current | Current | Non Current | Current |
| CASH AND CASH EQUIVALENTS | | | | |
| i) Balances with scheduled banks in: | | | | |
| Current accounts | - | 1,151,700,721 | - | 122,421,783 |
| Deposits with original maturity of less than three months | - | 3,115,000,000 | - | 2,498,556,180 |
| Deposits with original maturity of more than three months but less than six months | - | 415,000,000 | - | 200,000,000 |
| ii) Cash on hand | - | - | - | 508 |
| TOTAL | - | 4,681,700,721 | - | 2,820,978,471 |

Notes

forming part of the financial statements for the year ended March 31, 2014

16 REVENUE FROM OPERATIONS

| Particulars | Amount in ₹ | |
|---|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| INTEREST INCOME ON: | | |
| - loan portfolio and related charges | 3,259,704,416 | 1,896,795,392 |
| - deposits with banks | 268,244,088 | 123,994,247 |
| - fixed income debt instruments | 106,025,870 | 18,678,449 |
| OTHER FINANCIAL SERVICES: | | |
| - origination fees | 283,133,664 | 211,881,803 |
| - syndication & sell down fees | 28,528,061 | 75,182,655 |
| - gain on sale of fixed income debt instruments (net) | - | 7,821,898 |
| TOTAL | 3,945,636,099 | 2,334,354,444 |

17 OTHER INCOME

| Particulars | Amount in ₹ | |
|--------------------------------------|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Dividend from debt mutual fund units | 23,361,256 | 79,492,741 |
| Miscellaneous income | 49,079 | 1,930,356 |
| TOTAL | 23,410,335 | 81,423,097 |

18 EMPLOYEE BENEFIT EXPENSES

| Particulars | Amount in ₹ | |
|---|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Salaries, other allowances and bonus | 246,231,152 | 217,479,385 |
| Gratuity expenses | 89,561 | 1,086,406 |
| Leave encashment | 365,442 | 437,362 |
| Contribution to provident and other funds | 4,337,977 | 3,535,763 |
| Staff welfare expenses | 888,716 | 619,921 |
| TOTAL | 251,912,848 | 223,158,837 |

Notes

forming part of the financial statements for the year ended March 31, 2014

19 FINANCE COST

| Particulars | Amount in ₹ | |
|------------------------------|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| INTEREST EXPENSE ON | | |
| Debentures | 424,116,527 | 250,728,423 |
| Deposits from clients | 35,154,050 | 8,043,921 |
| Loans from banks | 1,225,011,396 | 382,109,150 |
| Commercial paper | 168,575,678 | 87,827,220 |
| OTHER BORROWING COSTS | | |
| Processing charges on loans | 39,046,827 | 20,839,389 |
| Other related costs | 26,948,711 | 9,098,040 |
| TOTAL | 1,918,853,189 | 758,646,143 |

20 OTHER EXPENSES

| Particulars | Amount in ₹ | |
|------------------------------|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Rent | 17,723,630 | 17,755,134 |
| Rates & taxes | 12,282,284 | 3,875,453 |
| Printing & stationery | 536,636 | 643,748 |
| Travelling & conveyance | 3,179,768 | 6,548,136 |
| Advertisement | 1,011,859 | 141,677 |
| Business meeting | 490,808 | 696,544 |
| Business promotion | 1,723,526 | 1,250,331 |
| Conference charges | 706,772 | 1,005,507 |
| Commission & brokerage | - | 22,174,762 |
| Office expenses | 12,126,888 | 14,321,764 |
| Directors' sitting fees | 975,114 | 635,562 |
| Insurance | 1,429,263 | 239,973 |
| Communication expenses | 1,199,522 | 1,132,520 |
| Payment to auditor | | |
| - Audit fees | 1,504,919 | 1,195,580 |
| - Tax audit fees | 265,450 | 159,270 |
| - Other services | 359,883 | 855,918 |
| - Out of pocket | 22,990 | 34,774 |
| Bank charges | 1,250,821 | 291,436 |
| Legal & professional charges | 21,542,046 | 26,916,547 |
| Loss on sale of investments | 3,326,374 | - |
| Membership & subscriptions | 1,863,845 | 1,906,940 |
| Miscellaneous expenses | - | 139 |
| TOTAL | 83,522,398 | 101,781,715 |

Notes

forming part of the financial statements for the year ended March 31, 2014

21 PROVISIONS

| Particulars | Amount in ₹ | |
|---|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| General contingency provision (Refer Note 28) | (60,000,000) | - |
| Provision for standard assets | 54,156,406 | 27,593,350 |
| Provision for non-performing assets | 19,384,975 | - |
| TOTAL | 13,541,381 | 27,593,350 |

22 EARNINGS PER SHARE

| Particulars | Amount in ₹ except for no. of equity shares | |
|---|---|------------------------------|
| | Year ended March 31, 2014 | Year ended March 31, 2013 |
| Net Profit after tax as per profit and loss account Amount in ₹ (A) | 1,121,361,821 | 900,943,109 |
| Weighted average number of equity shares for calculating Basic EPS (B) | 68,628,985 | 68,628,985 |
| Weighted average number of equity shares for calculating Diluted EPS (C) | 68,628,985 | 68,628,985 |
| Basic earnings per equity share (in ₹) (Face value of ₹ 10/- per share) (A) / (B) | 16.34 | 13.13 |
| Diluted earnings per equity share (in ₹) (Face value of ₹ 10/- per share) (A) / (C) | 16.34 | 13.13 |

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|--|------------------------------|------------------------------|
| Weighted average number of equity shares for calculating Basic / Diluted EPS | 68,628,985 | 68,628,985 |

23 GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Company has a 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.

Consequent to the adoption of revised AS 15 'Employee Benefits' issued under Companies Accounting Standard Rules, 2006, as amended, the following disclosures have been made as required by the standard:

Notes

forming part of the financial statements for the year ended March 31, 2014

Profit and loss account

Net employee benefit expense (recognized in employee cost)

| Particulars | Amount in ₹ | |
|---|----------------|------------------|
| | March 31, 2014 | March 31, 2013 |
| Current service cost | 953,394 | 1,109,859 |
| Interest cost on benefit obligation | 159,525 | 79,943 |
| Expected return on plan assets | (149,619) | (63,053) |
| Net actuarial (gain) / loss recognised in the year | (842,146) | (40,343) |
| Past service cost | - | - |
| Adjustment in respect of interest not credited in the previous year | (31,593) | - |
| Net benefit expense | 89,561 | 1,086,406 |

Balance sheet

Details of Provision for gratuity

| Particulars | Amount in ₹ | |
|--------------------------------------|------------------|------------------|
| | March 31, 2014 | March 31, 2013 |
| Defined benefit obligation | (2,277,797) | (2,019,308) |
| Fair value of plan assets | 2,015,432 | 1,415,180 |
| Less: Unrecognised past service cost | - | - |
| Plan asset / (liability) | (262,365) | (604,128) |

Changes in the present value of the defined benefit obligation are as follows:

| Particulars | Amount in ₹ | |
|---|------------------|------------------|
| | March 31, 2014 | March 31, 2013 |
| Opening defined benefit obligation | 2,019,309 | 918,891 |
| Interest cost | 159,525 | 79,943 |
| Current service cost | 953,393 | 1,109,859 |
| Benefits paid | - | - |
| Actuarial (gains) / losses on obligation | (854,430) | (89,384) |
| Closing defined benefit obligation | 2,277,797 | 2,019,309 |

The Company would not contribute any amount to gratuity in 2011-12 as the scheme is unfunded.

Notes

forming part of the financial statements for the year ended March 31, 2014

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| Particulars | Amount in ₹ | |
|--------------------------|----------------|----------------|
| | March 31, 2014 | March 31, 2013 |
| Investments with insurer | 2,015,432 | 1,446,773 |

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

| Particulars | March 31, 2014 | March 31, 2013 |
|-------------------------------|----------------|----------------|
| Discount Rate | 9.10% | 8.20% |
| Increase in compensation cost | 6.00% | 6.00% |
| Employee Turnover* | | |

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

*5% at younger ages reducing to 1% at older ages

Amounts for the current and previous four years are as follows:

| Particulars | Amount in ₹ | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | March 31, 2014 | March 31, 2013 | March 31, 2012 | March 31, 2011 | March 31, 2010 |
| Defined benefit obligation | 2,277,797 | 2,019,308 | 918,890 | - | - |
| Plan assets | 2,015,432 | 1,415,180 | - | - | - |
| Surplus / (deficit) | (262,365) | (604,128) | (918,890) | - | - |
| Experience adjustments on plan liabilities | (632,462) | (208,423) | (429,171) | (452,620) | - |
| Experience adjustments on plan assets | 12,284 | 49,041 | - | - | - |

24 RELATED PARTY DISCLOSURE

Names of related parties and related party relationships

| | |
|--|---|
| Holding Company | Indostar Capital (Mauritus) |
| Subsidiary Company | IndoStar Asset Advisory Private Limited |
| Key Managerial Personnel | Vimal Bhandari - MD & CEO |
| | Sanjay Hinduja** - Wholetime Director |
| | Sandeep Baid* - Wholetime Director |
| | Shailesh Shirali - Wholetime Director |
| Relatives of Key Managerial Personnel | There are no transactions, and hence not reported |

** till 31 August 2013

* till 14th March 2013

Notes

forming part of the financial statements for the year ended March 31, 2014

I. Related party with whom transactions have taken place during the year

| Name of related party & nature of relationship | Particulars | Amount in ₹ | |
|--|---------------------------------------|----------------------|----------------------|
| | | As at March 31, 2014 | As at March 31, 2013 |
| KEY MANAGERIAL PERSONNEL | | | |
| Vimal Bhandari | Remuneration paid | 39,939,375 | 34,149,507 |
| | Expenses reimbursed | 770,482 | 1,231,451 |
| Sanjay Hinduja | Remuneration paid | 7,711,533 | 24,641,051 |
| | Expenses reimbursed | 31,852 | 166,281 |
| Sandeep Baid | Remuneration paid | - | 15,616,480 |
| | Expenses reimbursed | - | 10,684 |
| Shailesh Shirali | Remuneration paid | 39,149,499 | 19,158,975 |
| SUBSIDIARY COMPANY | | | |
| IndoStar Asset Advisory Private Limited | Investment in subsidiary | 100,000 | - |
| | Reimbursement of preliminary expenses | 30,500 | - |

II Balance as at year end

| Name of related party & nature of relationship | Particulars | Amount in ₹ | |
|--|-----------------------------|----------------------|----------------------|
| | | As at March 31, 2014 | As at March 31, 2013 |
| HOLDING COMPANY | | | |
| IndoStar Capital (Mauritius) | Investment in share capital | 680,353,320 | 680,353,320 |
| | Securities premium | 8,164,239,840 | 8,164,239,840 |
| KEY MANAGERIAL PERSONNEL | | | |
| Vimal Bhandari | Investment in share capital | 2,314,552 | 2,314,552 |
| | Securities premium | 27,692,280 | 27,692,280 |
| Sanjay Hinduja | Investment in share capital | - | 1,805,383 |
| | Securities premium | - | 8,499,960 |
| | Receivable | - | 1,333,333 |
| Shailesh Shirali | Investment in share capital | 23,077 | 23,077 |
| SUBSIDIARY COMPANY | | | |
| IndoStar Asset Advisory Private Limited | Investment in subsidiary | 100,000 | - |

Notes

forming part of the financial statements for the year ended March 31, 2014

25 CONTINGENT LIABILITIES AND COMMITMENTS

| Capital and other commitments | Amount in ₹ | |
|---|-------------------------|-------------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| Estimated amount of contracts remaining to be executed on capital account | - | 550,000 |
| Loans sanctioned not yet disbursed | 1,088,078,918 | 2,047,952,377 |

26 LEASES

In case of assets taken on lease

The Company has taken various office premises under operating lease. The lease payments recognized in the statement of profit & loss are ₹ 17,723,630 (March 31, 2013: ₹ 17,755,134). The non-cancellable operating lease agreements are for a period of 36 months. There are no restrictions imposed by lease arrangements. There are no sub leases.

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

| Particulars | Amount in ₹ | |
|---|-------------------------|-------------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| Minimum Lease Payments: | | |
| Not later than one year | 11,027,896 | 16,541,844 |
| Later than one year but not later than five years | - | 11,027,896 |
| Later than five years | - | - |

Notes

forming part of the financial statements for the year ended March 31, 2014

27 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006

Based on the intimation received by the Company, some of the suppliers have confirmed to be registered under "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Accordingly, the disclosures relating to amounts unpaid as at the year ended together with interest paid /payable are furnished below:

| Particulars | Amount in ₹ | |
|--|-------------------------|-------------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| The principal amount remaining unpaid to supplier as at the end of the year | - | - |
| The interest due thereon remaining unpaid to supplier as at the end of the year | - | - |
| The amount of interest paid in terms of Section 16, along with the amount of payment made to the supplier beyond the appointment day during the year | - | - |
| The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | - | - |
| The amount of interest accrued during the year and remaining unpaid at the end of the year | - | - |
| The amount of further 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 enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006 | - | - |

28 GENERAL CONTINGENCY PROVISION

The Company has reassessed the general contingency provision and on reassessment it has been reversed in the current year.

29 CAPITAL TO RISK ASSETS RATIO DISCLOSURE

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|----------------------------------|-------------------------|-------------------------|
| (i) CRAR (%) | 41.45 | 50.19 |
| (ii) CRAR – Tier I capital (%) | 41.05 | 49.64 |
| (iii) CRAR – Tier II capital (%) | 0.39 | 0.55 |

Notes

forming part of the financial statements for the year ended March 31, 2014

30 ASSET LIABILITY MANAGEMENT

| | Amount in ₹ | | | | | | | |
|-----------------------|---------------------------------|----------------------------|-----------------------------|-----------------------------|-------------------------|------------------------|-------------------------|--------------|
| | 1 day to 30/31 days (one month) | Over one month to 2 months | Over 2 months upto 3 months | Over 3 months upto 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years |
| Liabilities: | | | | | | | | |
| Borrowings from banks | 341,666,667 | 313,640,475 | 647,375,758 | 1,179,766,235 | 2,415,286,436 | 6,664,336,868 | 1,246,527,731 | - |
| Market borrowings | - | - | 246,053,750 | 490,216,484 | 1,432,154,242 | 2,304,247,749 | 1,550,588,712 | 150,000,000 |
| Assets: | | | | | | | | |
| Loans & Advances | 347,587,447 | 191,472,427 | 423,688,106 | 1,349,338,553 | 2,130,351,485 | 16,545,541,939 | 4,151,392,760 | 581,202,774 |
| Investments | - | - | - | 31,200,000 | 31,200,000 | 166,400,000 | 379,700,000 | - |

31 EXPOSURE TO REAL ESTATE SECTOR

| Category | Amount in ₹ | |
|---|----------------------|----------------------|
| | As at March 31, 2014 | As at March 31, 2013 |
| A DIRECT EXPOSURE | | |
| i. Residential Mortgages | - | - |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakhs may be shown separately) | - | - |
| ii. Commercial Real Estate | | |
| Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). | 1,697,409,103 | 942,334,653 |
| Exposure would also include non-fund based (NFB) limits; | - | - |
| Investments in Mortgage Backed Securities (MBS) and other securitised exposures | Nil | Nil |
| - Residential | Nil | Nil |
| - Commercial Real Estate | Nil | Nil |
| B INDIRECT EXPOSURE | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | Nil | Nil |

Notes

forming part of the financial statements for the year ended March 31, 2014

32 PREVIOUS YEARS COMPARATIVE

Previous year / periods figures have been regrouped / rearranged, wherever considered necessary, to conform with Current year / periods presentation.

As per our report of even date

For **S R B C & Co LLP**
Firm Registration No. 324982E
Chartered Accountants

per **Shrawan Jalan**
Partner
Membership No. 102102

Place : Mumbai
Date : May 22, 2014

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

Vimal Bhandari
MD and CEO

Rajesh Mehta
Director

Pankaj Thapar
Chief Financial Officer

Jitendra Bhati
Company Secretary

Notes

forming part of the financial statements for the year ended March 31, 2014

AS REQUIRED IN TERMS OF PARAGRAPH 13 OF NON-BANKING FINANCIAL (NON-DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2007

| Particulars | Amount in ₹ | |
|---|---------------------------|-----------------------|
| | As at March 31, 2014 | |
| LIABILITIES SIDE : | | |
| (1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid: | Amount outstanding | Amount overdue |
| (a) Debenture : Secured | 4,835,673,922 | - |
| : Unsecured | - | - |
| (b) Deferred Credits | - | - |
| (c) Term Loans | 12,870,331,559 | - |
| (d) Inter-corporate loans and borrowing | - | - |
| (e) Commercial Paper | 1,668,424,475 | - |
| (f) Public Deposits (Refer Note 1 below) | - | - |
| (g) Other Loans | - | - |
| (2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid): | Amount outstanding | Amount overdue |
| (a) In the form of Unsecured debentures | - | - |
| (b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security | - | - |
| (c) Other public deposits | - | - |
| ASSETS SIDE : | | |
| | Amount outstanding | |
| (3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below): | | |
| (a) Secured | | 23,577,159,743 |
| (b) Unsecured | | 1,600,000,000 |
| (4) Break up of Leased Assets and stock on hire counting towards AFC activities | Amount outstanding | |
| (i) Lease assets including lease rentals under sundry debtors: | | |
| (a) Financial lease | - | - |
| (b) Operating lease | - | - |
| (ii) Stock on Hire including hire charges under sundry debtors : | | |
| (a) Assets on hire | - | - |
| (b) Repossessed Assets | - | - |

Notes

forming part of the financial statements for the year ended March 31, 2014

| Particulars | Amount in ₹ | |
|---|---------------------------|---|
| | As at March 31, 2014 | |
| (iii) Other loans counting towards AFC Activities : | | |
| (a) Loans where assets have been repossessed | - | - |
| (b) Loans other than (a) above | - | - |
| (5) Break-up of Investments : | Amount outstanding | |
| Current Investments : | | |
| 1. Quoted : | | |
| (i) Shares : (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debenture and Bonds | - | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government Securities | - | - |
| (v) Others (Please specify) | - | - |
| 2. Unquoted : | | |
| (i) Shares: (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debentures and Bonds | - | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government Securities | - | - |
| (v) Others: Certificates of deposit | - | - |
| Long Term investments : | | |
| 1. Quoted : | | |
| (i) Shares : (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debentures and Bonds | 608,400,000 | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government Securities | - | - |
| (v) Others (Please specify) | - | - |
| 2. Unquoted : | | |
| (i) Shares: (a) Equity | 100,000 | - |
| (b) Preference | - | - |
| (ii) Debentures and Bonds | - | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government Securities | - | - |
| (v) Others | - | - |

Notes

forming part of the financial statements for the year ended March 31, 2014

Amount in ₹

| Particulars | As at March 31, 2014 | | |
|---|---|--------------------------------|----------------|
| (6) Borrower group-wise classification of assets, financed as in (3) and (4) above: | | | |
| Please see Note 2 below | | | |
| Category | Amount in ₹ (Net of provisions) | | |
| | Secured | Unsecured | TOTAL |
| 1. Related Parties ** | | | |
| (a) Subsidiaries | - | - | - |
| (b) Companies in the same group | - | - | - |
| (c) Other related parties | - | - | - |
| 2. Other than related parties | 23,577,159,743 | 1,600,000,000 | 25,177,159,743 |
| (7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): | | | |
| Please see note 3 below | | | |
| Category | Market Value / Break up or fair value or NAV* | Book Value (Net of Provisions) | |
| 1. Related Parties ** | | | |
| (a) Subsidiaries | 100,000 | 100,000 | |
| (b) Companies in the same group | - | - | |
| (c) Other related parties | - | - | |
| 2. Other than related parties | 608,400,000 | 608,400,000 | |

(8) Other information

| Particulars | Amount in ₹ |
|---|-------------|
| (i) Gross Non-Performing Assets | |
| (a) Related parties** | - |
| (b) Other than related parties | 193,849,748 |
| (ii) Net Non-Performing Assets | |
| (a) Related parties** | - |
| (b) Other than related parties | 174,464,773 |
| (iii) Assets acquired in satisfaction of debt | - |

Notes :

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for calculation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

Statement pursuant to Section 212 of the Companies Act, 1956

| Name of the Subsidiary Company | Financial year ending of the subsidiary | Number of equity shares held | Extend of holding | Profit/(loss) so far it concerns the members of the holding Company and not dealt with in the books of account of the holding Company | Profit/(loss) so far it concerns the members of the holding Company and dealt with in the books of account of the holding Company |
|---|---|------------------------------|-------------------|---|---|
| IndoStar Asset Advisory Private Limited | 31 March 2014 | 10,000 | 100% | 41,736 | Nil |

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

Vimal Bhandari
MD and CEO

Rajesh Mehta
Director

Pankaj Thapar
Chief Financial Officer

Jitendra Bhati
Company Secretary

Place : Mumbai
Date : May 22, 2014

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | |
|--|--|
| I. REGISTRATION DETAILS | |
| Registration no. | U51909WB2009PTC136998 |
| State code no. | 21 |
| Balance Sheet date | 31-Mar-14 |
| II. CAPITAL RAISED DURING THE YEAR (Amounts in ₹ Thousands) | |
| Public issue (issue through the prospectus) | Nil |
| Right issue | Nil |
| Bonus issue | Nil |
| Private placement | Nil |
| III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amounts in ₹ Thousands) | |
| Total liabilities (including current liabilities and provisions) | 31,608,017 |
| Total assets (excluding current liabilities and provisions) | 31,608,017 |
| Sources of Funds : | |
| Paid-up capital | 683,227 |
| Reserves and surplus | 10,673,292 |
| Secured loans | 17,313,437 |
| Unsecured loans | 1,668,424 |
| Deferred tax liability | Nil |
| Application of Funds : | |
| Net fixed assets | 10,854 |
| Investments | 608,500 |
| Deferred tax asset | 81,303 |
| Net current assets | 29,637,724 |
| Miscellaneous expenditure | Nil |
| IV. PERFORMANCE OF COMPANY (Amounts in ₹ Thousands) | |
| Turnover | 3,969,046 |
| Total expenditure | 2,276,544 |
| Profit before tax | 1,692,503 |
| Profit/(Loss) after tax | 1,121,362 |
| Basic and diluted earning per share in ₹ | 16.34 |
| Dividend rate in % | Nil |
| V. GENERIC NAME OF PRINCIPAL PRODUCT/ SERVICES OF COMPANY (As per monetary terms) | |
| Item code no. | 801 |
| Product description | Non-Banking Financial Business (NBFC- LENDING ACTIVITY) |

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

Vimal Bhandari
MD and CEO

Rajesh Mehta
Director

Pankaj Thapar
Chief Financial Officer

Jitendra Bhati
Company Secretary

Place : Mumbai
Date : May 22, 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

Managing Director & CEO
Mr. Vimal Bhandari

Executive Director
Mr. Shailesh Shirali

Non-Executive Directors

Mr. Sameer Sain
Mr. Atul Kapur
Mr. Dhanpal Jhaveri
Mr. Rajesh Mehta
Mr. Deepak Shahdadpuri
Mr. Alok Oberoi
Ms. Shweta Bhatia

Non-Executive Independent Directors

Mr. Eric Stuart Schwartz
Mr. Bobby Parikh
Mr. Ravi Narain

CHIEF FINANCIAL OFFICER

Mr. Pankaj Thapar

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Jitendra Bhati

STATUTORY AUDITORS

S R B C & Co LLP
Chartered Accountants

INTERNAL AUDITORS

KPMG
Chartered Accountants

BANKERS

Axis Bank Limited
Bank of Baroda
Bank of India
Canara Bank
Corporation Bank
Development Credit Bank

HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
Indian Overseas Bank
IndusInd Bank Limited
ING Vysya Bank Limited
Kotak Mahindra Bank Limited
Oriental Bank of Commerce
Punjab National Bank
State Bank of Bikaner and Jaipur
State Bank of Hyderabad
State Bank of India
State Bank of Mysore
State Bank of Patiala
Syndicate Bank
The Federal Bank Limited
Yes Bank Limited

SECURITY TRUSTEE

IDBI Trusteeship Services Limited
Asian Building, Ground Floor
17, R Kamani Marg, Ballard Estate
Mumbai – 400 001

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai – 400 078

REGISTERED OFFICE

Room No. 6, 4th Floor,
Commerce House,
2A, Ganesh Chandra Avenue
Kolkata – 700 013

CORPORATE OFFICE

One Indiabulls Center,
17th Floor, Tower 2A
Jupiter Mills Compound
Senapati Bapat Marg, Mumbai – 400 013
Tel No. : +91 22 4315 7000
Fax No.: +91 22 4315 7010
E-mail : icf.legal@indostarcapital.com
Website : www.indostarcapital.com



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Website : www.indostarcapital.com