

IndoStar Capital Finance Private Limited



*Credibility &
Consistency*

ANNUAL REPORT 2012-13

Contents

PG **2**

AN INTRODUCTION TO INDOSTAR

Growing Bandwidth of Products	3
FY13 in Retrospect	4
Diverse Liability Profile	5
Credit Ratings	5

PG **6**

LETTER TO THE SHAREHOLDERS

PG **8**

THEME STORIES

Creating a culture of excellence	8
Quality offerings enhance trust	10
Multi-source liabilities help create a comfortable financing profile	12
Judicious investments to streamline back office processes	14
Experience and expertise help enhance credibility	16

PG **18**

PROFILES OF THE BOARD OF DIRECTORS AND CFO

PG **20**

BOARD AND MANAGEMENT REPORTS

Management Discussion and Analysis	20
Directors' Report	26
Report on Corporate Governance	36

PG **39**

FINANCIAL STATEMENTS

Auditor's Report	39
Balance Sheet	44
Statement of Profit and Loss	45
Cash Flow Statement	46
Notes	48

CREDIBILITY AND CONSISTENCY

Two years into the journey to build a wholesale credit institution, IndoStar's strategies for long-term growth and sustainability are firmly anchored, despite changing economic realities. An ethos of credibility remains entrenched in our business strategies and processes. Going ahead, our focus will be deepening, strengthening and widening our capabilities while maintaining a calibrated approach to growth.

Over the past two years, we have consistently worked on enhancing our performance and are progressing on course. The result is a diversified and growing asset book, increase in revenues, improvement in profitability and the planning and execution for the next phase of growth. Our continued focus on improving governance and enhancing back-office processes, has enabled us to evolve as an independent wholesale credit institution.

CONSISTENT STRATEGIES. CREDIBLE OPERATIONS

IndoStar Capital Finance Private Limited (IndoStar) is one of India's fastest growing Non-Banking Financial Companies (NBFC) focused on providing structured financial solutions to Indian corporates. The Company's operations, shaped by its consistent operating philosophy, have helped bolster its credibility among a widening customer base.

**₹4,300
Crore**
*worth of
cumulative
deals originated
and transacted
in only two
years of
operations*

* * * * *

Incorporated in April 2011, IndoStar has a diverse product basket to address the credit needs of its clients, especially in the fixed income space. It is committed to provide innovative, structured debt solutions to meet funding requirements of mid-to-large corporates across sectors.

Within two years of operations IndoStar has originated and transacted 53 deals cumulatively worth over ₹ 4,300 Crore, with a current asset base of over

₹ 2,200 Crore. IndoStar enjoys the support of leading global financial institutions including Everstone Capital, Goldman Sachs and Ashmore, among others.

IndoStar today is recognised as a reputable and reliable player in the Indian credit market. It is well regarded by lenders, rating agencies and the RBI as an organisation with strong sponsors and a responsible and professional management team.

GROWING BANDWIDTH OF 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 an optimum mix of yield, asset class and maturity.



Secured Corporate Lending

IndoStar provides commercial loans to its customers for asset creation and growth plans. These loans are available in the form of asset-backed loans, term loans and short-term facilities.



Asset Financing

IndoStar has established partnerships with Asset Financing Companies to finance commercial vehicles and equipment. This has allowed the Company to diversify its asset base and gain a foothold in the asset finance market.



Loans against Properties

The Company provides loans at a project level for the construction of commercial and residential properties, often in the form of late stage financing for the completion of under construction properties, which reduces execution and construction risks.



Capital Market Exposure

IndoStar offers loans to promoters against listed securities, select unlisted securities and/or other tangible collaterals.



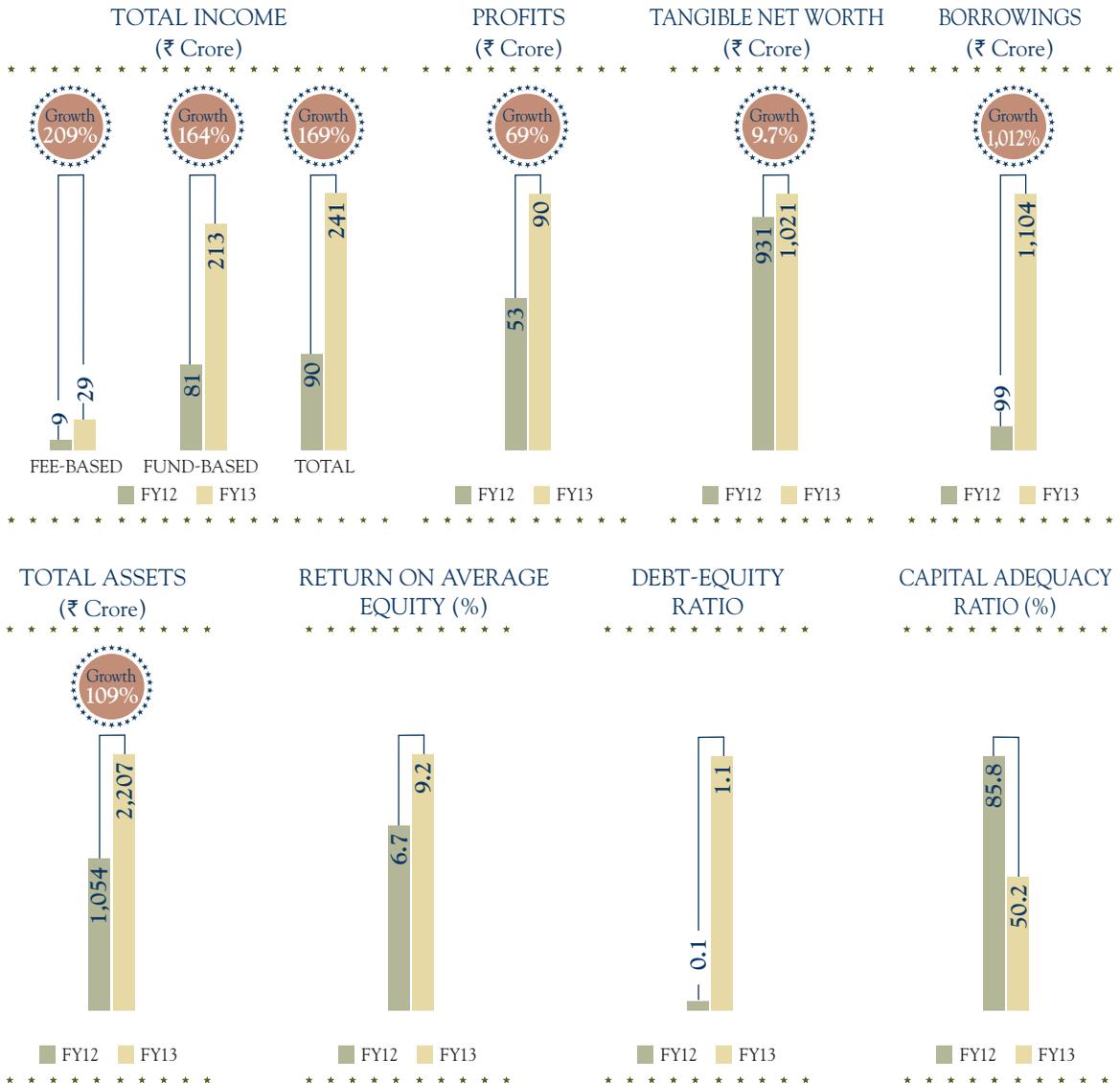
Structured and Special Situation Loans

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.

An introduction to IndoStar

FY13 IN RETROSPECT

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



DIVERSE LIABILITY PROFILE

IndoStar has mobilised resources as part of its liability strategy from the banking system, wholesale financing and money markets.

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The Company has banking relationships with over twelve banks including multiple banks in the SBI Group, ICICI Bank, Axis Bank, Punjab National Bank, Corporation Bank, IndusInd Bank, Federal Bank, HDFC Bank, Yes Bank, IDBI Bank, ING Vysya Bank and Kotak Mahindra Bank. As an issuer in the wholesale debt markets, IndoStar has issued Non-Convertible Debentures to leading mutual funds like Franklin Templeton, Kotak & UTI. It is also a regular issuer of Commercial Papers in the money market. The Company has also partnered with strong co-lenders in select transactions to undertake larger transactions. These relationships and affiliations have helped IndoStar build a strong base of client relationships with over fifty corporate entities in India.

CREDIT RATINGS

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IndoStar is rated by Credit Analysis & Research Ltd. (CARE) and ICRA Limited (ICRA), and enjoys a AA-(AA minus) rating for its long-term borrowings and A1+ (A1 plus) rating for its short-term borrowings.

Instruments	Amount in ₹ Crore	Rating
Bank Facilities (Long-term)	1,000	CARE AA-
Non-Convertible Debentures (Long-term)	400	CARE AA-
Short-term borrowings	300	CARE A1+, ICRA A1+

Letter to the shareholders

Dear shareholders,

After a period of subdued growth, the global economy seems to be recovering slowly. The US economy is going for fiscal consolidation, driven by growth in the housing and manufacturing sectors. Liquidity infusion by the European Central Bank helped tame the effects of the debt crisis, and economies in the region are returning to growth, albeit at a slow pace. Developing economies, such as China, India and several Latin American nations, are also reviewing their policies to ensure future growth.

The global economic landscape adversely impacted India's financial market. Banks turned cautious and were reluctant to meet the funding requirements of companies. Companies were not able to raise equity capital due to low valuations and weak market sentiments. The overall slowdown in the investment cycle meant lower capex in the past year. This reduced the demand for fresh capital and resulted in a slower credit offtake from the banking system.

Going forward, as the economy improves and investor sentiments become more optimistic, the need for newer funding options and sources of funds to complement the existing institutional framework is stronger than

ever. As an independent wholesale credit institution, IndoStar is well-placed to seize this opportunity. During the first year of our operations, we laid the foundation of building an institution which was geared towards creating a holistic product portfolio. We have in place an experienced and highly-skilled team and sound credit and risk policies. These have helped us establish our presence in the market. Today, with all the building blocks firmly in place, IndoStar is following a strategy of cautious growth with conservatism and consistency as its guiding philosophy. Over the past two years, we have strengthened our business and delivered on all of our objectives. We have doubled our balance sheet size and diversified our asset book and liability profile, while maintaining our margins. During the year, we originated and transacted over thirty deals and now have an asset base of over ₹ 2,200 Crore. We more than doubled our revenues reaching ₹ 241.58 Crore in FY13 from ₹ 89.85 Crore last year. We also registered a 69% growth in profitability with net profit rising to ₹ 90.09 Crore.

A calibrated approach to growth lies at the heart of our business strategy. Given the challenging business environment, the Company's approach to growth has been cautious. Our selective attitude towards new exposures was instrumental in helping build a high-quality and well-diversified asset book. An unwavering focus on credit quality, based on understanding the robustness of borrowers' cash flows, has helped us manage credit risk.

* * * * *	* * * * *
₹ 2,200	50%
Crоре	<i>Current capital</i>
<i>Asset base as on date</i>	<i>adequacy ratio</i>
* * * * *	* * * * *

In line with our philosophy of cautious growth, we diversified our liability base to include bank loans, Non-Convertible Debentures and Commercial Paper; we have successfully established relationships with twelve banks and fourteen mutual funds.

IndoStar has a robust governance structure in place. Formal processes are supplemented by regular interactions with key stakeholders. Our Board of Directors comprises a mix of experienced and eminent professionals and industry veterans. The Board oversees company-level risk management and implements best practices in reporting and governance. Additionally, various committees of the Board ensure that the internal credit and risk policies are adhered to. In line with our robust governance standards, we inducted Mr. Ravi Narain as an Independent Director, Vice Chairman of the National Stock Exchange of India to further strengthen our Board.

The industry is transforming. The RBI has been tightening the regulations governing NBFCs for the past couple of years. Some of the steps being proposed by the RBI include increasing the capital adequacy requirement of NBFCs. Additionally, RBI guidelines, based on the Thorat Committee recommendations are expected to have an impact on the industry. These are also likely to tighten asset classification and provisioning norms to

bring NBFCs on par with commercial banks. While many of these changes will help the industry, smaller NBFCs could face the challenge of raising fresh capital, meet higher capital adequacy and comply with higher provisioning norms. We at IndoStar have pursued a policy of adopting the best standards in governance and prudential norms. Consequently, a liquidity buffer, maintained at a floor level of 15% of net worth, allows us to efficiently manage our cash flows; this has been implemented in IndoStar before it was suggested for wider implementation by working committees setup by the regulator. With a current capital adequacy ratio of 50%, we have a comfortable capacity to increase leverage and fund future growth.

Going forward, we intend to leverage opportunities arising out of the fixed income space. We have taken the first steps to foray into the asset management space. We intend to set up a debt-focused alternate investment fund. This fund will facilitate multi-sectoral investments in senior secured debt with an emphasis on borrower quality, visibility on operating cash flows and adequate collateral.

I take this opportunity to thank my colleagues, our bankers and other stakeholders who have supported us in our journey. We remain steadfast in our commitment to build a sustainable and robust business and deliver value to all our stakeholders.

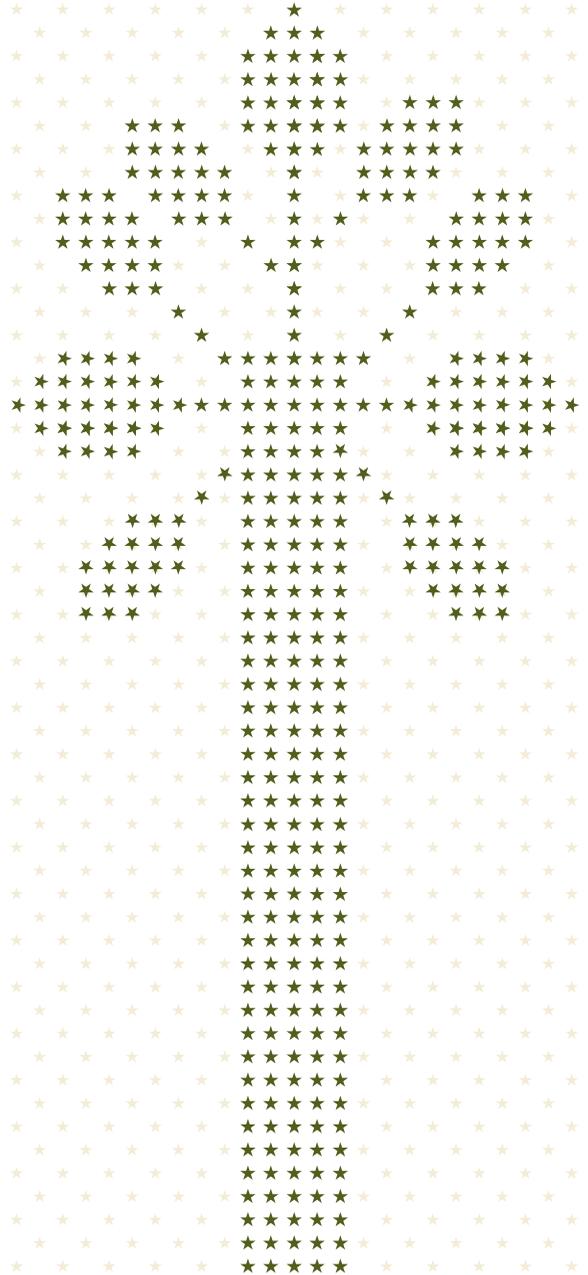
Thank you.

Vimal Bhandari
Managing Director and Chief
Executive Officer

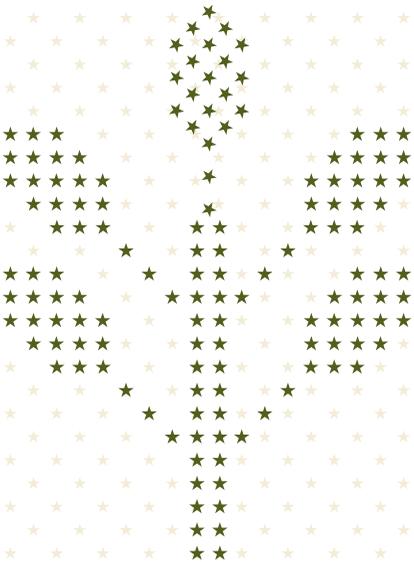
CREATING A CULTURE OF EXCELLENCE

2013

In the Indian Credit market, IndoStar is already becoming a name to reckon with. By virtue of its rigorous credit processes and strong relationships in the market, it aims to build a platform which will help deliver sustainable growth in the years ahead.



2012



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In the past two years, IndoStar has continuously implemented measures to gear itself for increase in size and scale.

It has continuously enhanced performance in a short time span despite challenging external circumstances. During this time, the Company has established itself as an institution which can undertake sophisticated credit transactions which are complex to structure. In doing so, it has created a niche for itself in delivering structured credit solutions to borrowers.

IndoStar has delivered on all fronts of its proposed business build out,

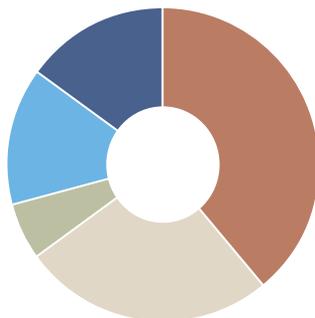
doubling its balance sheet size over the past two years with minimal increase in headcount. Similarly, liability build-up has been on strong ground while a diversified asset portfolio allows IndoStar to insulate its loan book against market uncertainties. Additionally, the Company has sold down a number of transactions over the last 12 months, strengthening its co-participation business and also benefiting from yield differential.

As a result, IndoStar achieved asset growth without diluting its conservative balance sheet philosophy.

PORTFOLIO COMPOSITION

as on 31 March 2013

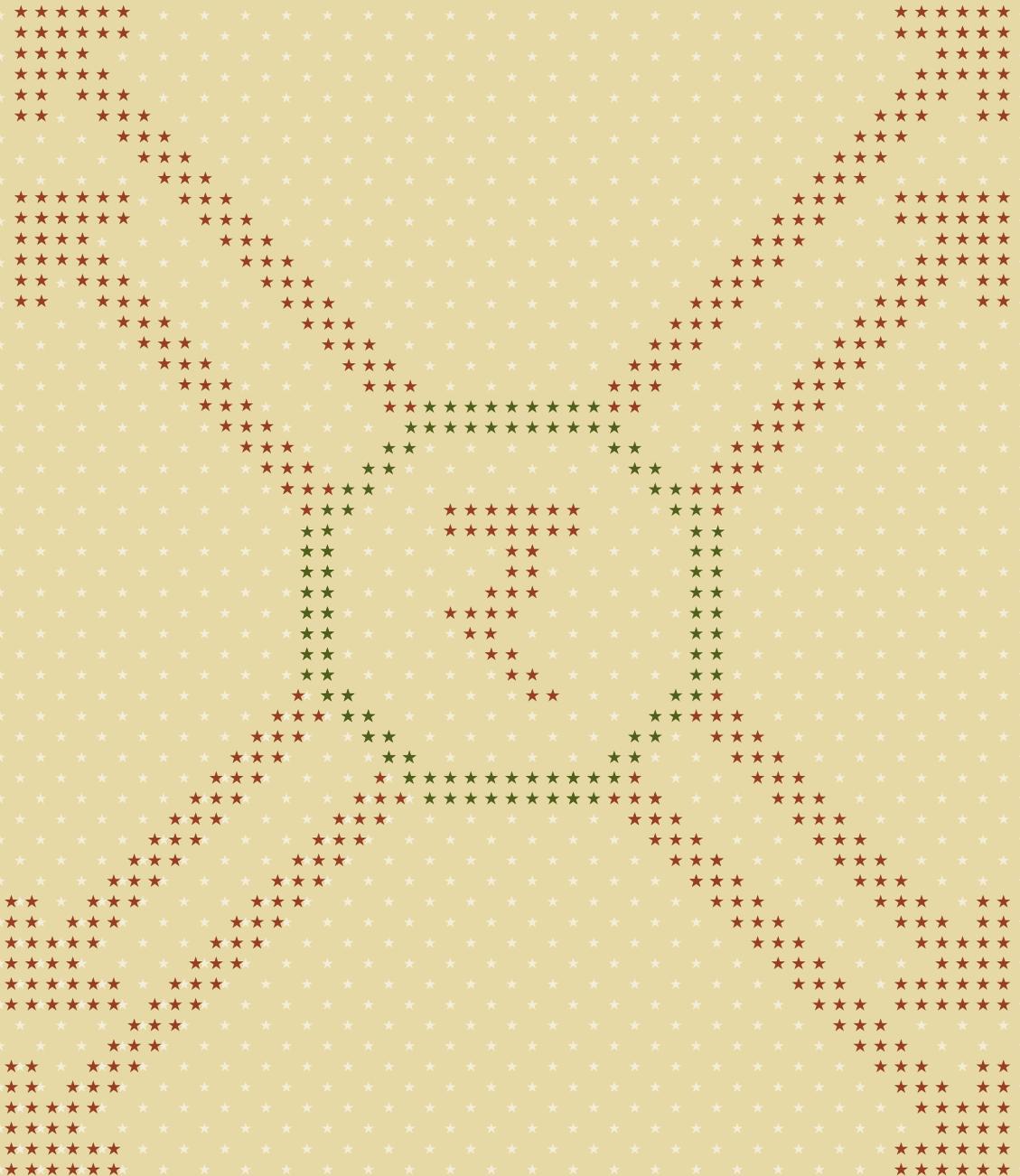
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Industry	% Current Exposure
Operating Company Loans	39
Loans against Properties	26
Loans against Shares	6
Other Assets	14
Treasury Assets	15

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QUALITY OFFERINGS ENHANCE TRUST



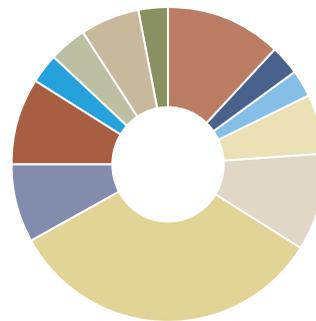
Offering diverse structured lending products has been the cornerstone of IndoStar's performance. Through its quality product portfolio, the Company has been able to strengthen its credibility among the expanding customer portfolio.

IndoStar has maintained the quality of its portfolio by focusing on robust cash flows of borrowers, which are critical to its credit approval process. This linkage to repayment via operating cash flows of the borrowers helps reduce refinancing risk. Owing to the uncertain economic environment, a majority of our loans are in the form of senior secured credit.

These measures have allowed IndoStar to build a balanced portfolio with no sector or product being overweight. Despite a steady focus on diversifying its loan portfolio, IndoStar has adhered to its mandate of providing structured and secured lending to the corporate sector.

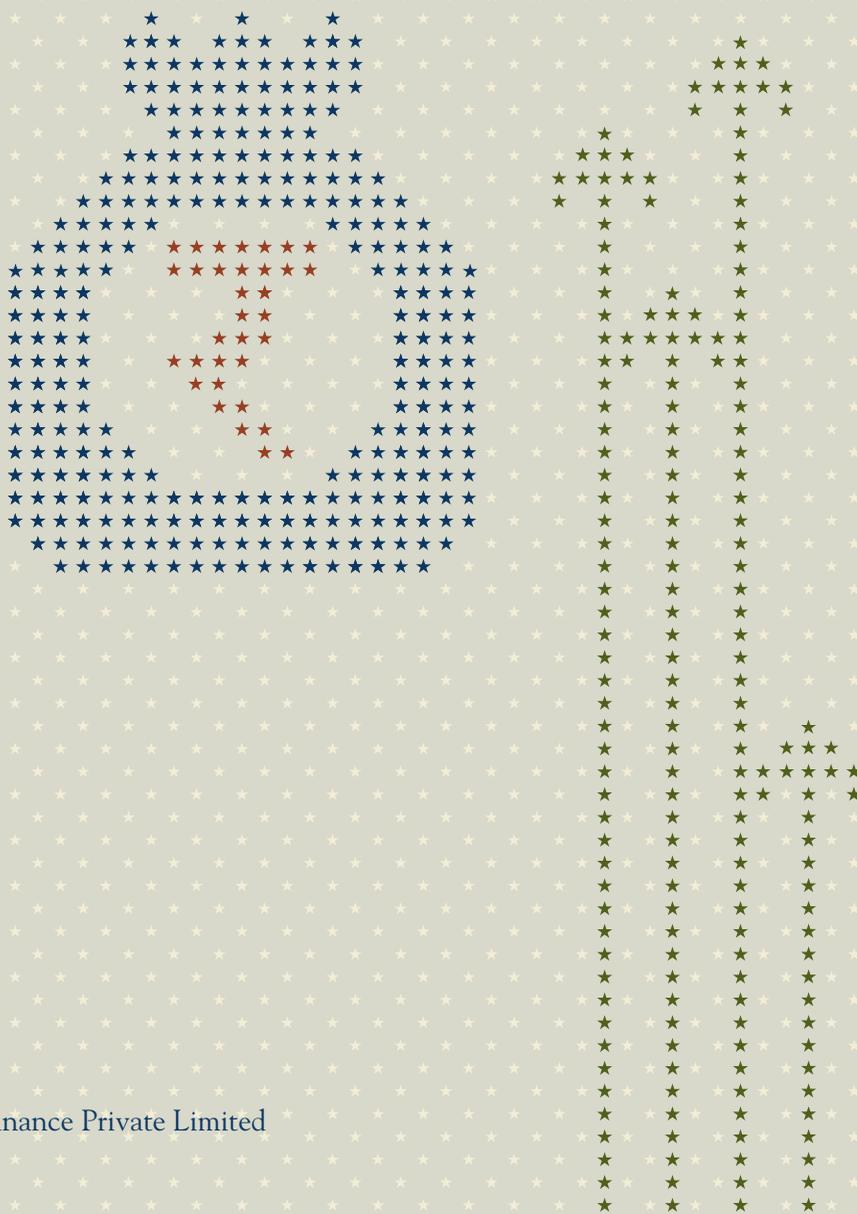
Additionally, single party exposure limit is maintained within 15% of owned funds and group exposure is limited to 25% of owned funds as mandated by the regulator. A stringent liquidity buffer, maintained at a floor level of 15% of net worth, has been in force since inception. This gives IndoStar the ability to manage cash flows.

SECTOR-WISE LOAN BOOK as on 31 March 2013



Industry	% Current Exposure
Bank ATMs and BNAs	12
Cement	3
Glass	3
Infrastructure	6
Iron & Steel	10
Loan against Properties	33
Loan against Shares	8
Packaging	3
Power	4
Renewable energy	6
Tyres	3
Others	9
Total	100

MULTI-SOURCE LIABILITIES HELP CREATE A COMFORTABLE FINANCING PROFILE



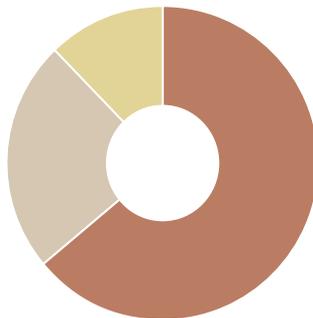
IndoStar’s approach to business and conservative balance sheet philosophy has helped it develop a diversified liability portfolio. This, in turn, helps manage cost of funds for the Company and cater to its customers consistently, despite market vagaries.

Availability of liabilities is critical to grow the loan asset book and build a sustainable business. IndoStar had initiated its bank borrowing programme in the previous financial year. It has followed it up with a number of money market and capital market issuances in the current financial. This has served to demonstrate the Company’s ability to raise resources when the need arises.

IndoStar has received sanctions from twelve commercial banks and we seek to continue growing our banking relationships.

LIABILITY PROFILE

as on 31 March 2013



Source	% of Portfolio
Banking finance	64
Markets	
Non-Convertible Debentures	24
Commercial Paper	12

JUDICIOUS INVESTMENTS TO STREAMLINE BACK OFFICE PROCESSES



* * * * *

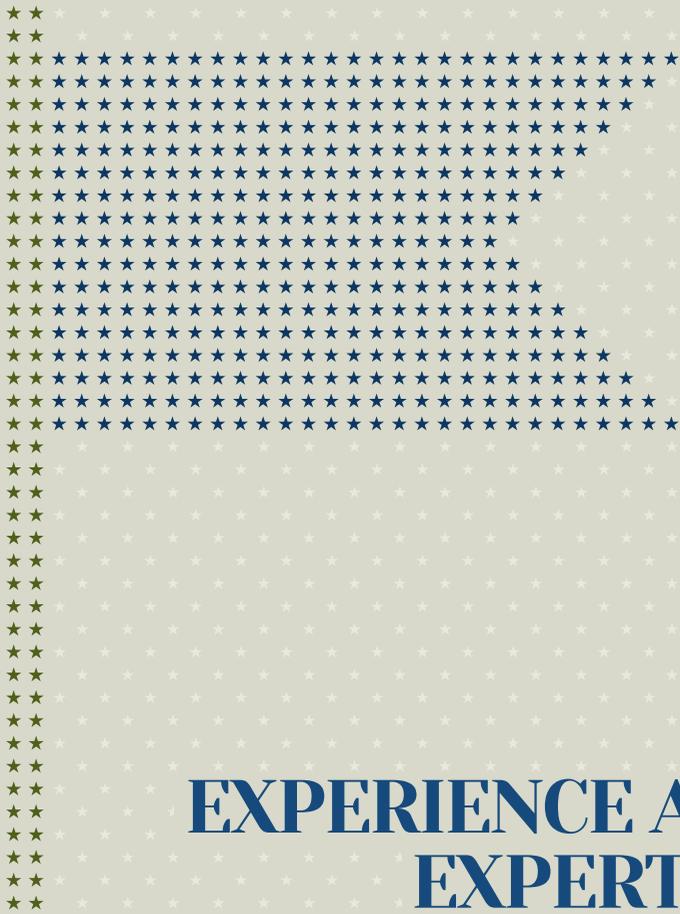
Over the past year, IndoStar has invested in streamlining its back office processes. The Company developed a loan management system (LMS) and planned to roll it out in two phases, the first of which has been completed. This system will enable detailed and regular reporting and support IndoStar in managing future growth.

The LMS will enable the Company to pro-actively manage and monitor outstanding exposures, as well as generate robust MIS. In the first phase of operations, a robust data warehouse was created, capturing information required to generate reports and alerts, generating deal closing memorandum and

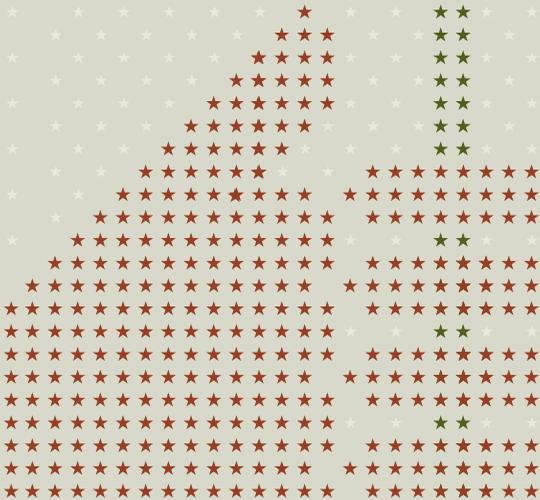
strengthening the monitoring of its loan asset portfolio. In the second phase, the LMS will configure all MIS reports with parameters, comprising:

- Asset Liability Mismatch
- Compliance reports to RBI
- Cash flow monitoring and planning
- Internal Weekly MIS
- Daily Monitoring Reports
- Liability Reports

This system will not only simplify the internal reporting and monitoring framework significantly but also build in efficiencies to handle an increasing client base, as well as regulatory compliance and reporting requirements.



**EXPERIENCE AND
EXPERTISE
HELP ENHANCE
CREDIBILITY**



A blend of experience and expertise of its management helps IndoStar provide best-in-class services, thus enhancing customer trust.

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IndoStar's leadership team comprises experienced professionals and industry veterans with over 120 years of combined experience in Indian and international financial markets. The team helps the Company identify and leverage market opportunities. It also guides the Company towards achieving its vision of emerging as a world-class, independent, wholesale credit institution.

During the past year, IndoStar's management team was augmented through the induction of Mr. Shailesh Shirali, Head, Wholesale Credit and Markets. Moreover, the recent appointment of Mr. Ravi Narain, the Vice Chairman of the National Stock Exchange, as an Independent Director on the Board, has further strengthened the Board.

Profiles of the Board of Directors and CFO

* * * * *
SAMEER SAIN

Mr. Sain has almost two decades of global private markets investment experience across asset classes. 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 private markets investment experience across Asia and Europe. 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 19 years of experience in investments, strategy, M&A and investment banking. 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 over 18 years of experience spanning asset management, corporate strategy and investment banking. He holds a Bachelor of Commerce from the University of Mumbai and is a qualified Chartered Accountant. He is on the Board of IndoStar as a representative from Ashmore.

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**DEEPAK I.
SHAHDADPURI**

Mr. Shahdarpuri has over 15 years of successful private equity investing and advisory experience in India, UK and USA. 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 ventures and transactions. He holds a Bachelor of Arts degree from Cornell University and an MBA degree from Johnson Graduate School. He is on the Board of IndoStar as a representative of ACPI.

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**SHWETA
BHATIA**

Ms. Bhatia has 11 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 over 2 decades of investment banking experience. 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 over 25 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 and is a qualified Chartered Accountant. 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 IndoStar. He has over 25 years of experience in the financial services industry. He holds a Bachelor of Commerce degree from the University of Mumbai and is a qualified Chartered Accountant.

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**SHAILESH
SHIRALI****Whole-Time Director**

Mr. Shirali is responsible for the Wholesale Credit and Markets division at IndoStar. He has over 19 years of experience in investment banking and financial services in the US, Middle East and India. He holds a Bachelor of Commerce degree from University of Mumbai and is a qualified Chartered Accountant.

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**PANKAJ
THAPAR****Chief Financial Officer**

Mr. Thapar is responsible for the finance and business support function at IndoStar. He has over 25 years of work 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

Global economic slowdown and upheavals, triggered by Eurozone’s debt crisis, weighed down on consumer sentiment and affected global demand in the last year. Although grappling with moderate growth, the emerging economies are better equipped to weather the crisis and help facilitate global recovery.

Although the European Central Bank tried to improve the economic landscape by providing significant monetary support, the sovereign debt crisis in Europe is still looming large. The US economy displayed early signs of revival, spearheaded by manufacturing and housing growth and prudent policy initiatives. After years of economic depression, Japan is also expected to start its journey on a path of recovery.

Economic growth trends

Particulars	% Real GDP growth	
	2013P	2012
Global	3.3	4
The US	1.9	3
Eurozone	-0.3	1.1
China	7.7	8

(Source: IMF projections)

INDIA’S ECONOMY

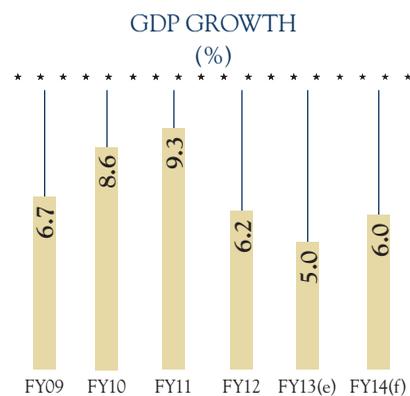
India’s economy faced significant headwinds during 2012. The country’s GDP growth rate declined, adversely impacted by burgeoning fiscal deficit, high inflation, escalating interest rates and the global meltdown. The uncertainties emerging from the US fiscal cliff, coupled with European debt crisis, added to the plethora of domestic problems faced by India’s economy.

The 3Rs of economic growth

India’s economy is set to be driven by 3Rs - recovery, rate cuts and reforms. These will help the country advance in the right track to mitigate the economic challenges and drive industrial growth.

Recovery in GDP growth rate

India’s GDP growth is expected to improve, owing to increased infrastructural spending and moderation in inflation. It is projected to be around 6% in FY14, as against 5% in FY13.



e - Estimate, f - Forecast (Source: CSO, CARE)

Rate cuts by the Reserve Bank of India (RBI)

The RBI has reduced the repo rate thrice and cash reserve ratio once till June 2013. This is expected to improve the investment landscape and contribute towards India's economic growth.

Reforms by the government

With an array of government reforms and prudent policy initiatives, the economy is ready to sail in the positive direction. Various policies and reforms, like foreign direct investment, sugar decontrol, high infrastructure spending targets in the 12th Five Year Plan, and others, will help improve the prevalent economic scenario.

The economy has started displaying signs of improvement. Monthly wholesale price inflation went below 5% in early FY14 from the high level of around 8% in FY13.

Reduction in fiscal deficit which is expected to reach 3% of GDP by FY17 from 4.89% of GDP in FY13, will add to the optimism in the economy.

INDIA'S NBFC INDUSTRY

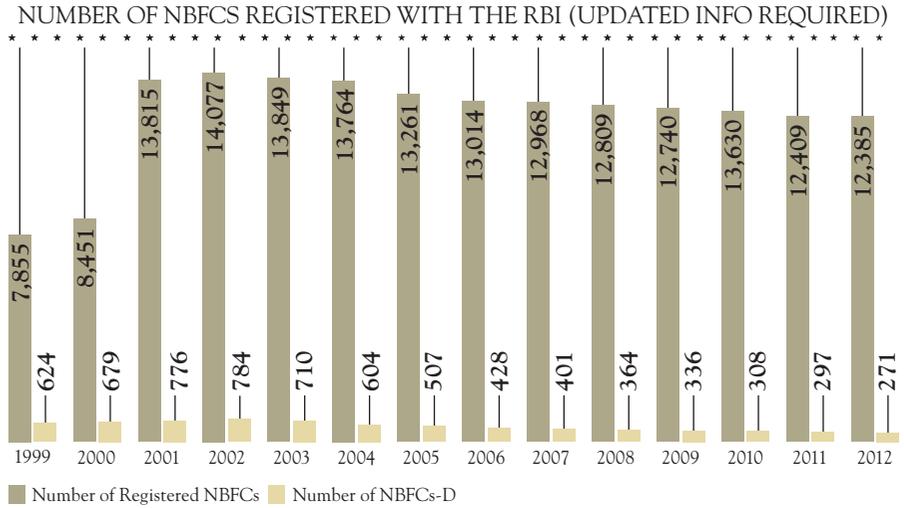
The NBFC industry, one of the key segments of India's financial services market, caters to pan-India funding needs through product innovation and customisation. It plays an important role in deposit mobilisation and credit creation. NBFCs manage around 5% of the total funds managed by the banking industry.

Highlights

- Total borrowings of NBFCs-Deposit taking (NBFCs-D) consist of 50% from banks and financial institutions and 29% from debentures in FY12.
- Around 187 of 190 reporting NBFCs-D had capital to risk assets ratio (CRAR) of more than 15%, whereas 329 out of the 365 NBFCs-Non-Deposit taking-Systematically important (NBFCs-ND-SI) had CRAR of more than 15% in FY12. Only 10% of reporting NBFCs-ND-SI reported CRAR of less than 15%.
- During FY12, gross non-performing assets (NPA) to total advances of NBFC-D increased from 0.7% in FY11 to 2.1% in FY12. At the same time, net NPAs registered an increase of 0.5% of total advances. In case of NBFC-ND-SI both gross and net NPA ratio increased from 1.72% and 0.69% in FY11 to 2.08% and 1.25% in FY12, respectively.

(Source: D&B Research)

Management Discussion and Analysis



(Source: RBI)

GROWTH DRIVERS FOR THE NBFC SECTOR

- **Unique product portfolio** - Product positioning and customisation have helped NBFCs carve out a niche for themselves with diverse offerings to customers. The innovative and diversified mix of products gives them an edge over banks.
- **Low credit growth of banks** - The declining trend in the credit growth of banks presents an opportunity.

DECLINING CREDIT GROWTH OF BANKS (GROWTH, CREDIT %)



(Source: RBI)

- **Macro-economic indicators** - With the macro-economic indicators showing signs of improvement, the demand for credit will grow. This, in turn, will help sustain the growth trajectory of NBFC.

CHALLENGES

- **Structural change** - Recently proposed regulatory changes aim to bring prudential norms of NBFCs in line with those for banks. Increase in Tier-I capital requirement, standard provisioning norms and others can act as a hurdle to growth. It may put strain on the balance sheet of the incumbent companies.
- **Economic downturn** - Overall slowdown in growth results in the fall of credit demand, posing a challenge to the growth of the entire credit market including NBFCs.
- **Interest cost**- High interest for credit affects fund availability to NBFCs by choking accessibility of finance and increasing delivered cost to borrowers.

KEY PROPOSALS RECOMMENDED BY USHA THORAT COMMITTEE

Throat committee, appointed by RBI to review the regulatory regime for NBFCs has come up with certain proposed changes, given below:

- Increase in Tier-I ratio requirement of registered NBFCs from 7.5% to 10% (12% for captive finance companies) with an implementation time limit of three years.
- Similar norms for asset classification and provisioning as applicable to banks.
- Stricter governance standards to be complied with large NBFCs (assets over ₹ 10 billion) with respect to change in control, sale of stake and appointment of CEO.
- High disclosure requirements with respect to provision coverage ratios, liquidity ratios, asset liability profiles and so on.
- Increase in risk weight to 125% and 150% for capital market and real estate exposures, respectively.
- Exemption from registration to NBFCs with asset size below ₹ 250 million.

OUTLOOK

India's NBFC industry

Credit demand by the consumers drives the long term growth of India's NBFC industry. The country's economic scenario is improving on the back of falling inflation, improved GDP outlook and an improved global outlook. This will propel the NBFC industry's growth. Customisation and product innovation in the debt product offerings help sustain and generate demand. It brings a sense of optimism in the industry.

Management Discussion and Analysis

COMPANY OVERVIEW

Business review

IndoStar Capital Finance Private Limited (IndoStar) is a wholesale credit institution offering a bouquet of debt products. It has positioned itself as a premier independent wholesale credit institution leveraging the opportunities available in local economic environment. The Company caters to the growing credit needs of Indian corporates.

A tangible net worth in excess of ₹ 1,021 Crore allows IndoStar to focus on large lending transactions. IndoStar maintains its focus on product innovation and structured solutions to debt-related requirements of Indian corporates. The Company has been able to establish a strong presence in the Structured Finance segment.

Core strengths

The core strengths of IndoStar have set it apart in a competitive business environment. Some of these strengths are discussed below.

- **Management**
IndoStar's management brings extensive experience in financial services industry, adds to the Company's credibility.
- **Sponsors**
The Company's key sponsors include Everstone Capital, Ashmore Group, Goldman Sachs Group. Such global financial institutions provide hands-on international experience and understanding of financial markets.
- **Robust credit offering**
Differentiated product offering in the form of structured products and the ability to customise transactions helps the Company offer better products to its customers. Due diligence and our selective approach to lending ensures the quality of our loan asset portfolio.
- **Client Relations**
IndoStar maintains strong relations with over 50 corporates, 12 banks and 14 mutual funds.
- **Balance sheet leverage**
IndoStar has a net worth of ₹ 1,021 Crore and borrowings of ₹ 1,104 Crore. It maintains diversified portfolio with no asset class greater than a third of the entire chunk.
- **Best practices**
IndoStar adopts global best practices to tap available opportunities.

FINANCIAL PERFORMANCE

Even in a business environment fraught with challenges, the robust performance delivered by IndoStar bears testimony to its consistent focus on excellence.

Revenue

IndoStar registered total income of ₹ 241.58 Crore in FY13 as compared to total income of ₹ 89.85 Crore in FY12, registering a growth of 169%.

Net profit

IndoStar's net profit rose by 69.3% to reach ₹ 90.09 Crore in FY13 against ₹ 53.21 Crore in FY12.

Net worth

IndoStar's tangible net worth expanded 9.7% to reach ₹ 1,021 Crore in FY13 from ₹ 931 Crore in FY12.

Loans disbursed

During the year under review, IndoStar's loan book was ₹ 1,768 Crore, including company loans of ₹ 771 Crore for meeting their operating requirements, loans against property of ₹ 565 Crore and other loans of ₹ 432 Crore.

**RISK
MANAGEMENT**

IndoStar has comprehensive risk management policies in place to effectively manage, mitigate and avert risks. These include KYC Policy, Anti-money Laundering Policy, Credit Policy, Interest Rate Policy and Fair Practice Code. These policies are implemented and reviewed from time to time by various committees of the Board including the Risk Management Committee, Credit Committee, ALCO and Audit Committee. The Company also engages management professionals and legal advisors to continuously monitor these policies.

**INTERNAL
CONTROLS AND
SYSTEMS**

Extensive internal control systems ensure smooth business operations at IndoStar. These systems are commensurate with the size and nature of its business, and designed to provide reasonable assurance about the integrity and reliability of the financial statements. Lending policies ensure the quality of loan assets. Besides, the Company's loan process comprises origination and sourcing of business, followed by credit appraisal and approval by various committees, such as the Credit Committee, Risk Management Committee and so on.

**HUMAN
RESOURCE
MANAGEMENT**

Employees are at the centre of IndoStar's business universe. The Company has in place focused human resource policies to build a robust and diverse talent pool, necessary to deliver high-quality services to clients.

The Company hires and nurtures a specialised pool of employees with expertise in credit evaluation, risk and treasury management, credit administration and client relations.

IndoStar provides a congenial and motivational workplace to its employees. The Company endeavours to achieve excellence, driven by the knowledge pool of its human capital. It recognises the efforts of its team towards achieving the Company's objectives.

**CAUTIONARY
STATEMENT**

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 are pleased to present the Fourth Annual Report on the affairs of your Company together with the Audited Statement of Accounts for the year ended 31 March 2013.

FINANCIAL HIGHLIGHTS

The highlights of the financial results of the Company for the financial years 2012-13 and 2011-12 are as under:

₹ in Crore

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Total Income	241.58	89.85
Total Expenditure	111.89	30.86
Profit before tax	129.69	58.98
Less : Provision for tax:		
- Current Tax	39.86	9.36
- Deferred Tax Liability	(0.26)	(3.59)
Net Profit after tax	90.09	53.21
Transfer to Reserve Fund U/s 45-IC of the Reserve Bank of India Act, 1934	18.02	10.64
Balance brought forward from previous period	35.38	(7.19)
Balance carried to Balance Sheet	107.45	35.38

FINANCIAL PERFORMANCE TANGIBLE

During the year, the Gross Income of the Company was ₹ 241.58 Crore and the Profit after Tax was ₹ 90.09 Crore (Previous Year: ₹ 89.85 Crore and ₹ 53.21 Crore, respectively). The Company's Tangible Net Worth as on 31 March 2013 was at ₹ 1,021.11 Crore against ₹ 931.03 Crore as on 31 March 2012.

As part of its risk management process and to have a prudent risk provisioning / reserve policy for loan assets, a provision of ₹ 2.76 Crore (Previous Year: ₹ 2.63 Crore) at the rate of 0.30% of outstanding standard assets was made this year, which is in excess of 0.25% of outstanding standard assets as required pursuant to the Reserve Bank of India (RBI) requirement in this regard. In addition your Company has also maintained an Ad-Hoc provision of ₹ 6 Crore for credit contingencies.

An amount of ₹ 18.02 Crore (Previous Year: ₹ 10.64) 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 the 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 borrower and towards this it seeks participation of banks, finance companies and mutual funds to supplement its own lending activities.

After infusion of capital of approximately ₹ 891 Crore during the period March - June 2011 by its parent company, IndoStar Capital, Mauritius (ICM), the Company has been continuously putting the building blocks in place for building an independent wholesale credit institution. In the previous financial year, the base was laid by putting together the core team and designing and implementing robust risk management practices. The journey has continued this year, with the focus on extending linkages with the Indian financial ecosystem and increasing the universe of corporates under coverage.

For the year ended on 31 March 2013, the loan book of the Company was ₹ 1,768 Crore, which included loans to companies for meeting their operating requirement ₹ 771 Crore, loans against property of ₹ 565 Crore and asset collateralised and other loans of ₹ 432 Crore, giving the company a diversified loan portfolio.

As part of its fund management policy, the Company continues to keep at least 15% of its net worth as treasury assets. Deployment of surplus funds is in treasury assets which are bank deposits, debt mutual funds or non-convertible debt instruments, in line with a defined Treasury Deployment Policy.

The Company has also built a diverse liability profile this year. The Company has received sanctions from 10 banks worth ₹ 815 Crore. Further, the Company has also cumulatively completed money market issuances of ₹ 765 Crore and long-term NCD issuances of ₹ 265 Crore.

**DEBT ASSET
MANAGEMENT
BUSINESS**

During the period under review, the Company was considering new strategic initiatives to be undertaken by the Company or through a subsidiary/joint ventures. To enhance fee income of the Company, the Debt Asset Management business has been identified as a new business that Company intends to initiate considering the existing operating structure and credit expertise of the Company, both of which are required for the proposed new business.

The proposed new business would enable the Company to have a more robust & predictable fee income, access to pools of capital, which would enable the Company to do larger deals in participation with the fund and would help the Company in presenting it as a multi-product franchise and income stream at a low incremental cost for entry.

SUBSIDIARY

During the period under review, towards acting as manager/asset advisor to the proposed debt fund and to undertake the business of Asset Advisory Services for debt funds under a separate subsidiary, the Company promoted "IndoStar Asset Advisory Private Limited" as wholly owned subsidiary of the Company.

Directors' Report

RESOURCES AND LIQUIDITY

During the period under review, the Company has raised ₹ 723.75 Crore from Bank borrowings, ₹ 765 Crore by issuance of Commercial Paper and a further ₹ 265 Crore through its issuance of Secured, Rated, Listed, Redeemable, Non-Convertible Debentures listed on Wholesale Debt Segment of the Bombay Stock Exchange Limited.

The applicable disclosures as stipulated under the Listing Agreement for Debt Securities executed with the Bombay Stock Exchange Limited as on 31 March 2013 are given at Annexure I.

The Company's Debt Equity ratio as on 31 March 2013 stands at 1.08.

CREDIT RATING

a) Short Term

During the period under review, Credit Analysis & Research Limited ("CARE") retained the "CARE A1+" (pronounced "A One Plus") rating in respect of the short term borrowing programme of the Company in the form of Commercial Paper. The grade of rating indicates very strong degree of safety regarding timely servicing of short term financial obligations and further indicates that the borrowing carries lowest credit risk.

During the period under review, the limit under short term borrowing programme of the Company was enhanced from ₹ 100 Crore to ₹ 300 Crore.

During the period under review, ICRA Limited ("ICRA") has assigned the "[ICRA] A1+" (pronounced "ICRA A One Plus") in respect of the short term debt programme of the Company of ₹ 300 Crore. The grade of rating indicates very strong degree of safety regarding timely payment of financial obligations and further indicates that the borrowing carries lowest credit risk.

b) Long Term

Bank Borrowings:

During the period under review, Credit Analysis & Research Limited ("CARE") has retained the "CARE AA-" (pronounced "Double A Minus") rating in respect of the long term borrowing programme of the Company from banks. The grade of rating indicates 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 limit under long term borrowing programme of the Company was enhanced from ₹ 500 Crore to ₹ 1,000 Crore. This has been further enhanced to ₹ 1,200 Crore after the balance sheet date.

Non-Convertible Debentures:

During the year under review, Credit Analysis & Research Limited ("CARE") has assigned "CARE AA-" (pronounced "Double A Minus") rating in respect of issue of non-convertible debentures by the Company. This was initially given for ₹ 200 Crore, which was enhanced to ₹ 400 Crore. The grade of rating indicates high degree of safety regarding timely servicing of long term financial obligations and further indicates that the borrowing carries very low credit risk.

OUTLOOK

Company will continue on the path of growing its business; focus will remain on improving coverage of corporates without compromising on credit underwriting standards.

The Company is also looking to diversify its revenue streams. As a first step in this direction, we aim to set up a debt asset management business in India and filed an application with SEBI seeking its approval to launch a credit fund under the Alternate Investment Fund Regulations.

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 2013 stood at 50.19%, 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 2013 stood at ₹ 1,021.11 Crore, a 9.68 % 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 2013, the Company has complied with all regulations and guidelines of the RBI, as are applicable to it as a systemically important Non-Deposit Accepting and Holding Non-Banking Finance Company.

DIRECTORS

During the period under review, on recommendation of the Compensation & Nomination Committee, Mr. Rajesh Mehta and Mr. Shailesh Shirali were appointed as Additional Director of the Company with effect from 20 August 2012 and 15 March 2013, respectively.

Further, on recommendation of the Compensation & Nomination Committee, to strengthen the Board by including people with expertise in banking and financial services, Mr. Ravi Narain was appointed as Additional Director of the Company with effect from 17 May 2013.

Pursuant to Section 260 of the Companies Act, 1956 and Article 14.2 (d) 1 of the Articles of Association of the Company, Mr. Rajesh Mehta, Mr. Shailesh Shirali and Mr. Ravi Narain, hold office up to the date of forthcoming Annual General Meeting and are eligible for appointment as Directors.

During the period under review, Mr. John-Michael Lind and Mr. Sandeep Baid ceased to be Directors of the Company with effect from 25 June 2012 and 14 March 2013, respectively. The Board takes this opportunity to place on record its recognition and appreciation of the valuable contributions made by Mr. John-Michael Lind and Mr. Sandeep Baid as Directors of the Company.

Directors' Report

Your Board recommends appointment of Mr. Rajesh Mehta and Mr. Ravi Narain as Directors and appointment of Mr. Shailesh Shirali as Whole-Time Director of the Company.

Based on confirmation received, none of the Directors are disqualified for appointment under section 274(1) (g) of the companies Act, 1956.

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:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- 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 2013 and of the Profit of the Company for the period ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the accounts have been prepared on a going concern basis.

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 to make the most conservative and efficient use of electricity and adopt latest technology in its business.

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 2013	For the Year ended 31 March 2012
Travelling Expenses	4.69	-
Others (Conference Charges)	2.79	01.11
Total	7.48	01.11

**PARTICULARS
OF EMPLOYEES**

The statement containing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the rules made there under 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.

**EMPLOYEES
STOCK OPTION
SCHEME**

During the year under review, the IndoStar Employee Stock Option Plan 2012 (ESOP 2012) was approved and implemented by the Company and 323,000 Options were granted to employees and Directors in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines'). The Compensation and Nomination Committee of the Board of Directors, administers and monitors ESOP 2012.

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 2013 and will hold office till the ensuing Annual General Meeting. They have expressed their willingness to continue, if re-appointed.

M/s. S R B C & Co. LLP, Chartered Accountants, are eligible for re-appointment and have consented to the same and have confirmed that the appointment, if made, shall be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The Board recommends the re-appointment of M/s. S R B C & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company for the year ended 31 March 2014.

The Members may also note that M/s. Deloitte Haskins & Sells, Chartered Accountants had been appointed as internal auditors of the Company for the year 2012 -13 pursuant to 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 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 Private Limited

Place: Mumbai
Date: 17 May 2013

Vimal Bhandari **Rajesh Mehta**
Managing Director & CEO 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 2013

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.
		• Loans and advances in the nature of loans to firms/companies in which Directors are interested by name and amount	N.A.
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.
		• 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, alongwith 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 of 3 (three) Independent Directors, 7 (seven) Non-Executive Directors representing shareholders and 3 (three) Whole-Time Directors.

Composition of the Board

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

a. Board meetings

During the year under review, 8 (eight) 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, as amended, 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
Sameer Sain	Chairman
Atul Kapur	Member
Dhanpal Jhaveri	Member
Rajesh Mehta	Member
Shweta Bhatia	Member
Deepak I. Shahdarpuri	Observer
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
Bobby Parikh	Chairman
Dhanpal Jhaveri	Member
Rajesh Mehta	Member
Deepak I. Shahdarpuri	Member
Shweta Bhatia	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
Dhanpal Jhaveri	Chairman
Atul Kapur	Member
Sameer Sain	Member
Rajesh Mehta	Member
Shweta Bhatia	Member
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
Atul Kapur	Chairman
Dhanpal Jhaveri	Member
Rajesh Mehta	Member
Shweta Bhatia	Member
Eric Stuart Schwartz	Member
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
Rajesh Mehta	Chairman
Deepak I. Shahdadpuri	Member
Shweta Bhatia	Member
Alok Oberoi	Member
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 of 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 of 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 of 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 of Mr. Dhanpal Jhaveri, Mr. Rajesh Mehta, Ms. Shweta Bhatia, Mr. Vimal Bhandari, Mr. Sanjay Hinduja 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 a 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 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. The Risk policy is available on our website, www.indostarcapital.com.

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 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 Company's 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.

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, 2013, 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 referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). 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. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

Auditor's Report

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (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, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, 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 17, 2013

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) 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 part 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 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 and hence not commented upon.
- (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 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 any major weakness in the internal control system of the company in respect of these areas.
- (v) In our opinion, 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 of the Company 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 3 of our report of even date

- (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 as applicable. The provisions relating to employees' state insurance, wealth tax, investor education and protection fund, sales-tax, customs 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 explanations 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 utilization have been deployed in liquid investments payable on demand. The maximum amount of idle/surplus funds invested during the year was ₹ 4,350,000,000 of which ₹ 300,000,000 was outstanding at the end of the year.

Annexure referred to in paragraph 3 of our report of even date

- (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 2,650 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 year.

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 17, 2013

Balance Sheet

as at March 31, 2013

Particulars	Note No.	Amount in ₹	
		As at March 31, 2013	As at March 31, 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	684,366,783	684,174,473
(b) Reserves and surplus	4	9,565,245,009	8,661,994,210
		10,249,611,792	9,346,168,683
(2) Non-current liabilities			
(a) Long-term borrowings	5	7,091,450,216	-
(b) Other Long term liabilities	6	127,998,621	32,071,804
(c) Long term provisions	7	82,873,771	54,917,318
		7,302,322,608	86,989,122
(3) Current liabilities			
(a) Short-term borrowings	8	1,337,581,897	993,343,427
(b) Trade payables(Also refer note no. 27)		19,494,649	57,982,745
(c) Other current liabilities	6	3,085,636,585	16,533,222
(d) Short-term provisions	7	76,198,708	42,997,570
		4,518,911,839	1,110,856,964
TOTAL		22,070,846,239	10,544,014,769
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		17,619,865	19,759,262
(ii) Intangible assets under development		371,630	-
(b) Non-current investments	10	650,000,000	-
(c) Deferred tax assets (net)	11	38,493,575	35,893,065
(d) Long term loans and advances	12	12,983,055,723	5,466,037,653
(e) Other non-current assets	13	49,651,622	-
		13,739,192,415	5,521,689,980
(2) Current assets			
(a) Current investments	14	493,457,000	1,290,652,888
(b) Cash and bank balances	15	2,820,978,471	447,744,649
(c) Short-term loans and advances	12	4,785,388,104	3,245,634,985
(d) Other current assets	13	231,830,249	38,292,267
		8,331,653,824	5,022,324,789
TOTAL		22,070,846,239	10,544,014,769

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**
Firm Registration No. 324982E
Chartered Accountants

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

Place : Mumbai
Date : May 17, 2013

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, 2013

Particulars	Note No.	Amount in ₹	
		Year Ended March 31, 2013	Year Ended March 31, 2012
INCOME			
Revenue from operations	16	2,413,847,185	898,517,514
Other income	17	1,930,356	1,093
TOTAL		2,415,777,541	898,518,607
EXPENDITURE			
Employee benefit expenses	18	223,158,837	149,736,537
Finance cost	19	758,646,143	2,971,679
Depreciation and amortisation	9	7,723,440	2,074,317
Other expenses	20	101,781,715	65,635,547
Provisions	21	27,593,350	88,208,920
TOTAL		1,118,903,485	308,627,000
PROFIT BEFORE TAXATION		1,296,874,056	589,891,607
PROVISION FOR TAXATION			
Current tax		398,531,457	93,678,010
Deferred tax Asset	11	(2,600,510)	(35,893,065)
TOTAL TAX EXPENSE		395,930,947	57,784,945
NET PROFIT AFTER TAXES		900,943,109	532,106,662
EARNINGS PER SHARE	22		
Basic (₹)		13.13	8.22
Diluted (₹)		13.13	8.22
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**
Firm Registration No. 324982E
Chartered Accountants

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

Place : Mumbai
Date : May 17, 2013

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, 2013

Particulars	Amount in ₹	
	Year Ended March 31, 2013	Year Ended March 31, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	1,296,874,056	589,891,607
Depreciation and amortisation	7,723,440	2,074,317
Loss / (profit) on sale of fixed assets (net)	-	10,594
Provision for diminution in value of investments	-	1,928,750
Issue expenses for equity shares	-	250,000
Provisions for standard assets	27,593,350	86,280,170
Provision for gratuity	(314,762)	418,890
Provision for leave encashment	437,362	520,035
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,332,313,446	681,374,363
MOVEMENTS IN WORKING CAPITAL:		
Increase / (decrease) in trade payables	(38,488,096)	30,508,076
Increase / (decrease) in other liabilities	3,165,030,180	39,557,169
Decrease / (increase) in loans and advances	(9,054,271,189)	(8,739,167,040)
Decrease / (increase) in other assets	(243,189,604)	(36,677,198)
CASH GENERATED FROM OPERATIONS	(4,838,605,263)	(8,024,404,630)
Direct taxes paid (net of refunds)	(365,089,816)	(83,562,830)
NET CASH FLOW FROM / USED IN OPERATING ACTIVITIES (A)	(5,203,695,079)	(8,107,967,460)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed including intangible assets	(5,955,673)	(21,798,975)
Purchase of investments	(27,758,624,915)	(34,371,744,732)
Sale of investments	27,905,820,803	33,080,331,520
NET CASH USED IN INVESTING ACTIVITIES (B)	141,240,215	(1,313,212,187)

Cash Flow Statement

for the year ended March 31, 2013

Particulars	Amount in ₹	
	Year Ended March 31, 2013	Year Ended March 31, 2012
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity share capital	-	174,031,980
Securities premium on issue of equity capital	-	2,088,383,788
Amount received from issue of commercial papers	344,238,470	993,343,427
Term loans from banks	4,441,450,216	-
Amount received on issue of NCDs	2,650,000,000	-
Issue expenses for equity shares paid	-	(250,000)
NET CASH FROM FINANCING ACTIVITIES (C)	7,435,688,686	3,255,509,195
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	2,373,233,822	(6,165,670,452)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	447,744,649	6,613,415,101
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,820,978,471	447,744,649
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at the end of the year		
i) Cash on hand	508	4,060
ii) Balances with scheduled banks in:		
Current accounts	122,421,783	22,740,589
Deposits with original maturity of less than three months	2,498,556,180	
Deposits with original maturity of more than three months but less than six months	200,000,000	425,000,000
TOTAL CASH AND CASH EQUIVALENTS (NOTE 15)	2,820,978,471	447,744,649

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 17, 2013

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, 2013

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, 2013

During the year, consequent to the re-assessment and reduction in the estimated useful life, the depreciation rates of Office equipments - Mobiles and Computers have been increased to 50% (previous year 20%) and 33.33% (previous year 20%) respectively. The assets for which higher rates used are as follows:

Particulars	Rates (SLM)	Schedule XIV rates (SLM)
Furniture and Fixtures	20%	6.33%
Office Equipments	20%	4.75%
Office Equipments - 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.

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, 2013

(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, 2013

- 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 dimishing 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, 2013

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. Ancillary 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, 2013

3 SHARE CAPITAL

Particulars	Amount in ₹	
	As at March 31, 2013	As at March 31, 2012
AUTHORISED		
8,000,000 (March 31, 2012: 8,000,000) 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, 2012: 68,619,947) equity shares of ₹ 10/- each fully paid up	686,199,470	686,199,470
Less: 192,307 (March 31, 2012: 211,538) equity shares of ₹ 10/- each fully paid up issued to employees through Indostar trust	(1,923,070)	(2,115,380)
9,038,250 (March 31, 2012: 9,038,250) equity shares of ₹ 10/- each ₹ 0.01 paid up per share	90,383	90,383
TOTAL	684,366,783	684,174,473

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

Particulars	As at March 31, 2013		As at March 31, 2012	
	Numbers of shares	Amount in ₹	Numbers of shares	Amount in ₹
Shares outstanding at the beginning of the year	77,658,197	686,289,853	60,254,999	512,257,873
Issued during the period	-	-	17,403,198	174,031,980
	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	-	(1,923,070)	-	(2,115,380)
Shares outstanding at the end of the year	77,658,197	684,366,783	77,658,197	684,174,473

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, 2013

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

Name of the shareholders	As at March 31, 2013		As at March 31, 2012	
	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 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, 2013	As at March 31, 2012
SECURITIES PREMIUM ACCOUNT		
Balance as per last account	8,227,128,268	6,138,744,480
Add: addition on issue of equity shares	-	2,088,383,788
	8,227,128,268	8,227,128,268
Less: Premium on equity shares issued to employees through Indostar Trust	(23,076,930)	(25,384,620)
CLOSING BALANCE	8,204,051,338	8,201,743,648
OTHER RESERVES		
Statutory reserve pursuant to Section 45-IC of The RBI Act, 1934		
Balance as per last account	106,424,203	2,871
Add: Transfer from Statement of profit and loss	180,188,622	106,421,332
CLOSING BALANCE	286,612,825	106,424,203
SURPLUS IN STATEMENT OF PROFIT AND LOSS		
Balance as per last account	353,826,359	(71,858,971)
Add: Profit for the current year	900,943,109	532,106,662
Less: Appropriations		
Transfer to statutory reserve as per Section 45-IC of The RBI Act, 1934	(180,188,622)	(106,421,332)
NET SURPLUS IN THE STATEMENT OF PROFIT AND LOSS	1,074,580,846	353,826,359
TOTAL RESERVES AND SURPLUS	9,565,245,009	8,661,994,210

Notes

forming part of the financial statements for the year ended March 31, 2013

5 LONG TERM BORROWINGS

Particulars	Amount in ₹			
	As at March 31, 2013		As at March 31, 2012	
	Non Current portion	Current maturities*	Non Current portion	Current maturities*
Term loans from banks				
Secured	4,441,450,216	2,614,231,602	-	-
Redeemable non convertible debentures				
Secured	2,650,000,000	-	-	-
TOTAL	7,091,450,216	2,614,231,602	-	-

* Amount disclosed under the head other current liabilities

a) Non Convertible Debenture

- i) Privately placed Redeemable Non Convertible Debentures of ₹ 1,000,000/- each
Terms of repayment as on March 31, 2013

Redeemable at par within	Rate of interest
	>= 11% < 13%
36-48 Months	2,150,000,000
24-36 months	500,000,000
Grand Total	2,650,000,000

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, 2013

(b) Term loan from bank:

Particulars - Bank Name	Disbursement from	Maturity Date	Rate of interest	Repayment details	Amount in ₹	
					As at March 31, 2013	
					Non-Current portion	Current Maturities
Axis Bank	27-Sep-12	27-Mar-16	>= 11% < 13%	12-Quarterly repayments	333,333,333	166,666,667
Corporation Bank	11-Feb-13	25-Sep-16	>= 11% < 13%	12-Quarterly repayments	250,000,000	50,000,000
ICICI Bank	19-Jun-12	19-Jun-15	>= 11% < 13%	9-Quarterly repayments	454,545,455	363,636,364
IndusInd Bank	21-Mar-13	29-Apr-13	>= 11% < 13%	Bullet payment	-	500,000,000
Kotak Bank	15-Nov-12	15-Nov-14	>= 11% < 13%	7-Quarterly repayments	166,071,428	221,428,571
Punjab National Bank	31-Dec-12	13-Sep-16	>= 11% < 13%	12-Quarterly repayments	800,000,000	200,000,000
State Bank of Hyderabad	30-Mar-13	30-Sep-16	>= 11% < 13%	12-Quarterly repayments	250,000,000	50,000,000
State Bank of India	3-Aug-12	3-Feb-16	>= 11% < 13%	12-Quarterly repayments	1,333,333,333	666,666,667
State Bank of Mysore	17-Nov-12	17-May-16	>= 11% < 13%	12-Quarterly repayments	187,500,000	62,500,000
State Bank of Patiala	28-Sep-12	28-Mar-16	>= 11% < 13%	12-Quarterly repayments	666,666,667	333,333,333
TOTAL					4,441,450,216	2,614,231,602

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 ₹ 9,483,200,000/-.

Notes

forming part of the financial statements for the year ended March 31, 2013

6 OTHER LIABILITIES

Particulars	Amount in ₹			
	As at March 31, 2013		As at March 31, 2012	
	Long term	Current	Long term	Current
Deposits from clients	93,100,000	100,000,000	23,400,000	-
Income received in advance	34,898,621	25,749,473	8,671,804	12,678,334
Interest accrued but not due on loans	-	264,400,479	-	-
TDS Payable	-	30,044,677	-	3,601,759
Statutory Liabilities Payable	-	365,505	-	253,129
Others	-	50,844,849	-	-
TOTAL	127,998,621	471,404,983	32,071,804	16,533,222

7 PROVISIONS

Particulars	Amount in ₹			
	As at March 31, 2013		As at March 31, 2012	
	Long term	Short term	Long term	Short term
FOR EMPLOYEE BENEFIT				
For gratuity	-	604,128	879,819	39,071
For leave encashment and availment	-	1,059,589	-	622,227
FOR OTHERS				
For standard assets [Refer note (e) of Note 2.1]	38,990,355	14,883,163	16,459,340	9,820,830
For General contingency provision	43,883,416	16,116,584	37,578,159	22,421,841
For income tax	-	43,535,244	-	10,093,601
[net of advance tax ₹ 448,674,224 (March 31, 2012: ₹ 83,584,410)]				
TOTAL	82,873,771	76,198,708	54,917,318	42,997,570

8 SHORT TERM BORROWING

Particulars	Amount in ₹	
	As at March 31, 2013	As at March 31, 2012
	UNSECURED LOAN	
Commercial papers		
- other than banks	1,350,000,000	1,000,000,000
Less: Unamortised discount	(12,418,103)	(6,656,573)
TOTAL	1,337,581,897	993,343,427

Notes

forming part of the financial statements for the year ended March 31, 2013

9 FIXED ASSETS

Amount in ₹

Particulars	Tangible Assets					Total Tangible Assets
	Land - Freehold	Computers	Office Equipment	Furniture and Fixtures	Leasehold Improvement	
GROSS BLOCK						
As at April 1, 2011	-	-	46,000	-	-	46,000
Additions	-	4,059,875	1,488,827	2,792,684	13,457,589	21,798,975
Deletions	-	-	10,600	-	-	10,600
As at March 31, 2012	-	4,059,875	1,524,227	2,792,684	13,457,589	21,834,375
Additions	1,505,100	457,091	203,830	416,964	2,995,862	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
DEPRECIATION						
As at April 1, 2011	-	-	802	-	-	802
Additions	-	248,994	140,679	199,713	1,484,931	2,074,317
Deletions	-	-	6	-	-	6
As at March 31, 2012	-	248,994	141,475	199,713	1,484,931	2,075,113
Additions	-	1,084,413	454,332	576,646	5,608,049	7,723,440
Deletions	-	-	-	5,196	-	5,196
As at March 31, 2013	-	1,333,407	595,807	771,163	7,092,980	9,793,357
NET BLOCK						
As at March 31, 2012	-	3,810,881	1,382,752	2,592,971	11,972,658	19,759,262
As at March 31, 2013	1,505,100	3,183,559	1,132,250	2,438,485	9,360,471	17,619,865

10 NON-CURRENT INVESTMENTS

Amount in ₹

Particulars	Face value	Quantity As at March 31, 2013	Quantity As at March 31, 2012	Amount As at March 31, 2013	Amount As at March 31, 2012
Quoted -Investments in debentures					
Indrajit Power Private Limited	1,000,000	650	-	650,000,000	-
TOTAL		650		650,000,000	
Aggregate Value of Quoted Investments					
Cost of acquisition				650,000,000	-
Market Value				650,000,000	-
Aggregate Provision for diminution in value of investments				-	-

Notes

forming part of the financial statements for the year ended March 31, 2013

11 DEFERRED TAX ASSETS (NET)

Particulars	Amount in ₹	
	As at March 31, 2013	As at March 31, 2012
DEFERRED TAX ASSET		
Fixed asset: Impact of difference between tax depreciation and depreciation /amortization charged for financial reporting period	1,029,575	-
Provision for Standard assets	8,952,662	27,993,601
Origination Fees unamortised	12,750,222	6,927,052
Provision for gratuity	352,484	298,134
Provision for leave encashment	141,902	168,725
Diminution in value of investments	-	625,783
GROSS DEFERRED TAX ASSET (A)	23,226,845	36,013,295
DEFERRED TAX LIABILITY		
Fixed asset: Impact of difference between tax depreciation and depreciation /amortization charged for financial reporting period	-	(120,231)
Bank processing charges amortised	(20,626,335)	-
GROSS DEFERRED TAX LIABILITY (B)	(20,626,335)	(120,231)
Net deferred tax asset (A-B)	2,600,510	35,893,065

12 LOANS AND ADVANCES

Particulars	Amount in ₹			
	As at March 31, 2013		As at March 31, 2012	
	Non Current portion	Current portion	Non Current portion	Current portion
UNSECURED, CONSIDERED GOOD				
SECURITY DEPOSITS				
Unsecured, considered good	4,591,048	-	4,591,048	-
SECURED, CONSIDERED GOOD				
Hypothecation loans	7,582,317,738	3,496,802,814	5,412,696,605	1,395,362,203
Debentures	5,343,199,570	93,000,000	37,500,000	1,841,962,620
UNSECURED, CONSIDERED GOOD				
Short term loans	-	1,150,000,000	-	-
Loan to Indostar Trust	6,750,000	7,250,000	11,250,000	3,750,000
UNSECURED, CONSIDERED GOOD				
Advances recoverable in cash or in kind or for value to be received	-	2,084,993	-	2,056,177
Prepaid expenses	46,197,367	35,691,190	-	2,484,504
Service Tax (Input Credit)	-	356,706	-	19,481
Others	-	202,401	-	-
	12,983,055,723	4,785,388,104	5,466,037,653	3,245,634,985

Notes

forming part of the financial statements for the year ended March 31, 2013

13 OTHER ASSETS

Particulars	As at March 31, 2013		As at March 31, 2012	
	Non Current portion	Current portion	Non Current portion	Current portion
	Amount in ₹			
Interest accrued on investments	-	18,728,937	-	6,128,758
Interest accrued but not due on loans	49,651,622	203,867,427	-	30,035,094
Interest accrued on fixed deposits with banks	-	9,233,885	-	2,128,415
	49,651,622	231,830,249	-	38,292,267

14 CURRENT INVESTMENTS

Particulars	Face value	Amount in ₹			
		Quantity As at March 31, 2013	Quantity As at March 31, 2012	Amount As at March 31, 2013	Amount As at March 31, 2012
At Cost or fair value whichever is lower					
A) QUOTED: INVESTMENT IN DEBENTURES					
9.25% Power Grid Corporation of India Limited 2022	1,250,000	-	40	-	50,058,750
9.25% Power Grid Corporation of India Limited 2023 (At cost less provision for diminution in value of ₹ 189,000)	1,250,000	-	40	-	49,875,000
9.25% Power Grid Corporation of India Limited 2024 (At cost less provision for diminution in value of ₹ 421,100)	1,250,000	-	40	-	49,643,500
9.25% Power Grid Corporation of India Limited 2025 (At cost less provision for diminution in value of ₹ 514,900)	1,250,000	-	40	-	49,554,100

Notes

forming part of the financial statements for the year ended March 31, 2013

Amount in ₹

Particulars	Face value	Quantity As at March 31, 2013	Quantity As at March 31, 2012	Amount As at March 31, 2013	Amount As at March 31, 2012
9.25% Power Grid Corporation of India Limited 2026 (At cost less provision for diminution in value of ₹ 803,750)	1,250,000	-	40	-	49,269,250
B) INVESTMENT IN COMMERCIAL PAPERS - UNQUOTED					
Hindustan Petroleum Corporation Limited	500,000	-	1,000	-	496,121,983
India Infoline Finance Limited	500,000	-	1,000	-	496,118,452
C) INVESTMENT IN MUTUAL FUNDS - UNQUOTED					
Reliance Liquid Fund - Treasury Plan	10	-	3,271,442.717	-	50,011,853
D) INVESTMENT IN CERTIFICATE OF DEPOSITS - UNQUOTED					
ING Vysya Bank	5,000	-	98,691.40	493,457,000	-
				493,457,000	1,290,652,888
Aggregate Value of Quoted Investments					
Cost of acquisition				-	250,329,350
Market Value				-	248,400,600
Aggregate Value of Unquoted Investments					
Cost of acquisition				493,457,000	1,042,252,288
Aggregate Provision for diminution in value of investments				-	1,928,750

Notes

forming part of the financial statements for the year ended March 31, 2013

15 CASH AND BANK BALANCES

Particulars	Amount in ₹			
	As at March 31, 2013		As at March 31, 2012	
	Non Current portion	Current portion	Non Current portion	Current portion
CASH AND CASH EQUIVALENTS				
i) Balances with scheduled banks in:				
Current accounts	-	122,421,783	-	22,740,589
Deposits with original maturity of less than three months	-	2,498,556,180	-	425,000,000
Deposits with original maturity of more than three months but less than six months	-	200,000,000	-	-
ii) Cash on hand	-	508	-	4,060
TOTAL	-	2,820,978,471	-	447,744,649

16 REVENUE FROM OPERATIONS

Particulars	Amount in ₹	
	For the year ended March 31, 2013	For the year ended March 31, 2012
INTEREST INCOME ON:		
- loan portfolio and related charges	1,896,795,392	340,656,044
- deposits with banks	123,994,247	81,517,280
- fixed income debt instruments	18,678,449	29,867,295
OTHER FINANCIAL SERVICES:		
- origination fees	211,881,803	75,324,862
- syndication & sell down fees	75,182,655	17,800,000
- gain on sale of fixed income debt instruments (net)	7,821,898	1,620,134
- dividend from debt mutual fund units	79,492,741	351,731,899
TOTAL	2,413,847,185	898,517,514

Notes

forming part of the financial statements for the year ended March 31, 2013

17 OTHER INCOME

Particulars	Amount in ₹	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Miscellaneous income	1,930,356	1,093
TOTAL	1,930,356	1,093

18 EMPLOYEE BENEFIT EXPENSES

Particulars	Amount in ₹	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Salaries, other allowances and bonus	217,479,385	146,162,802
Gratuity expenses	1,086,406	418,890
Leave encashment	437,362	520,035
Contribution to provident and other funds	3,535,763	1,674,075
Staff welfare expenses	619,921	960,735
TOTAL	223,158,837	149,736,537

19 FINANCE COST

Particulars	Amount in ₹	
	For the year ended March 31, 2013	For the year ended March 31, 2012
INTEREST EXPENSE ON		
Debentures	250,728,423	-
Deposits with clients	8,043,921	711,974
Loans from banks	382,109,150	-
Commercial paper	87,827,220	1,252,677
OTHER BORROWING COSTS		
Processing charges on loans	20,839,389	-
Other related costs	9,098,040	1,007,028
TOTAL	758,646,143	2,971,679

Notes

forming part of the financial statements for the year ended March 31, 2013

20 OTHER EXPENSES

Particulars	Amount in ₹	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Rent	17,755,134	5,936,911
Rates & taxes	3,875,453	683,821
Printing & stationery	643,748	347,916
Travelling & conveyance	6,548,136	2,779,568
Advertisement	141,677	-
Business meeting	696,544	300,902
Business Promotion	1,250,331	100,593
Conference charges	1,005,507	696,337
Commission & brokerage	22,174,762	57,500
Office expenses	14,321,764	21,855,307
Directors' sitting fees	635,562	310,000
Insurance	239,973	886,781
Communication expenses	1,132,520	659,755
Payment to auditor		
- Audit fees	1,195,580	682,500
- Tax audit fees	159,270	157,500
- Professional fees	855,918	367,500
- Out of pocket	34,774	5,862
Bank charges	291,436	37,315
Legal & professional charges	26,916,547	29,640,864
Loss on sale of fixed assets (net)	-	10,594
Membership & subscriptions	1,906,940	116,837
Miscellaneous expenses	139	1,184
TOTAL	101,781,715	65,635,547

Notes

forming part of the financial statements for the year ended March 31, 2013

21 PROVISIONS

Particulars	Amount in ₹	
	For the year ended March 31, 2013	For the year ended March 31, 2012
General contingency provision	-	60,000,000
Provision for standard assets [Refer note (e) of Note 2.1]	27,593,350	26,280,170
Provision for diminution in value of investments	-	1,928,750
TOTAL	27,593,350	88,208,920

22 EARNINGS PER SHARE

Particulars	Amount in ₹ except for no. of equity shares	
	Year ended March 31, 2013	Year ended March 31, 2012
Net Profit after tax as per profit and loss account Amount in Rupees (A)	900,943,109	532,106,662
Weighted average number of equity shares for calculating Basic EPS (B)	68,628,985	64,744,244
Weighted average number of equity shares for calculating Diluted EPS (C)	68,628,985	64,744,244
Basic earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (B)	13.13	8.22
Diluted earnings per equity share (in Rupees) (Face value of ₹ 10/- per share) (A) / (C)	13.13	8.22

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Weighted average number of equity shares for calculating Basic / Diluted EPS	68,628,985	64,744,244

23 GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS:

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

Notes

forming part of the financial statements for the year ended March 31, 2013

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:

Profit and loss account

Net employee benefit expense (recognised in employee cost)

Particulars	Amount in ₹	
	March 31, 2013	March 31, 2012
Current service cost	1,109,859	804,562
Interest cost on benefit obligation	79,943	43,500
Expected return on plan assets	(63,053)	-
Net actuarial (gain) / loss recognised in the year	(40,343)	(429,171)
Past service cost	-	-
Net benefit expense	1,086,406	418,891

Balance sheet

Details of Provision for gratuity

Particulars	Amount in ₹	
	March 31, 2013	March 31, 2012
Defined benefit obligation	(2,019,308)	918,891
Fair value of plan assets	1,415,180	-
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(604,128)	918,891

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

Particulars	Amount in ₹	
	March 31, 2013	March 31, 2012
Opening defined benefit obligation	918,891	500,000
Interest cost	79,943	43,500
Current service cost	1,109,859	804,562
Benefits paid	-	-
Actuarial (gains) / losses on obligation	(89,384)	(429,171)
Closing defined benefit obligation	2,019,309	918,891

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

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, 2013	March 31, 2012
Investments with insurer	1,446,773	-

Notes

forming part of the financial statements for the year ended March 31, 2013

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

Particulars	March 31, 2013	March 31, 2012
Discount Rate	8.20%	8.70%
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, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Defined benefit obligation	2,019,308	918,890	-	-	-
Plan assets	1,415,180	-	-	-	-
Surplus / (deficit)	(604,128)	(918,890)	-	-	-
Experience adjustments on plan liabilities	(208,423)	(429,171)	(452,620)	-	-
Experience adjustments on plan assets	49,041	-	-	-	-

24 RELATED PARTY DISCLOSURE

Holding Company	Indostar Capital (Mauritus)
Key Managerial Personnel	Vimal Bhandari - MD & CEO
	Sanjay Hinduja - Wholetime Director
	Sandeep Baid* - Wholetime Director
	Shailesh Shirali [§] - Wholetime Director
Relatives of Key Managerial Personnel	None

* till 14th March 2013

[§] since 15th March, 2013

Notes

forming part of the financial statements for the year ended March 31, 2013

I. Transaction details

Name of related party & nature of relationship	Particulars	Amount in ₹	
		As at March 31, 2013	As at March 31, 2012
HOLDING COMPANY			
Indostar Capital (Mauritius)	Investment in share capital	-	171,724,290
	Securities premium	-	2,060,691,480
KEY MANAGERIAL PERSONNEL			
Vimal Bhandari	Investment in share capital	-	2,307,690
	Securities premium	-	27,692,280
	Remuneration paid	34,149,507	28,847,071
	Expenses reimbursed	1,231,451	493,873
Sanjay Hinduja	Investment in share capital	-	-
	Securities premium	-	-
	Remuneration paid	24,641,051	21,802,609
	Expenses reimbursed	166,281	268,631
Sandeep Baid	Investment in share capital	-	-
	Securities premium	-	-
	Remuneration paid	15,616,480	25,216,735
	Expenses reimbursed	10,684	24,478
Shatlesh Shirali	Remuneration paid	19,158,975	-
	Expenses reimbursed	-	-

Notes

forming part of the financial statements for the year ended March 31, 2013

II Balance as at year end

Name of related party & nature of relationship	Particulars	Amount in ₹	
		As at March 31, 2013	As at March 31, 2012
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
	Payable	-	6,000
Sanjay Hinduja	Investment in share capital	1,805,383	1,805,383
	Securities premium	8,499,960	8,499,960
	Receivable	1,333,333	-
Sandeep Baid	Investment in share capital	-	1,805,383
	Securities premium	-	8,499,960
Shailesh Shirali	Investment in share capital	23,077	-
	Securities premium	-	-

25 CONTINGENT LIABILITIES

Commitments not provided for	Amount in ₹	
	As at March 31, 2013	As at March 31, 2012
Estimated amount of contracts remaining to be executed on capital account	550,000	2,641,926

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 ₹ 17,755,134 (March 31, 2011: ₹ 5,936,911). 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.

Notes

forming part of the financial statements for the year ended March 31, 2013

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, 2013	As at March 31, 2012
Minimum Lease Payments:		
Not later than one year	16,541,844	16,541,844
Later than one year but not later than five years	11,027,896	27,569,740
Later than five years	-	-

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, 2013	As at March 31, 2012
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 CAPITAL TO RISK ASSETS RATIO DISCLOSURE

Particulars	As at	
	March 31, 2013	March 31, 2012
(i) CRAR (%)	50.19	85.83
(ii) CRAR – Tier I capital (%)	49.64	85.04
(iii) CRAR – Tier II capital (%)	0.55	0.79

Notes

forming part of the financial statements for the year ended March 31, 2013

29 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	-	500,000,000	222,023,810	215,909,091	492,099,567	1,184,199,134	4,187,283,550	254,166,667
Market borrowings	498,141,557	542,795,794	296,644,544	-	-	-	650,000,000	2,000,000,000
Assets:								
Loans & Advances	1,197,649,984	176,535,485	1,337,552,669	577,252,575	1,458,062,100	8,547,030,042	4,271,931,910	113,305,357
Investments	493,457,000	-	-	-	650,000,000	-	-	-

Notes

forming part of the financial statements for the year ended March 31, 2013

30 EXPOSURE TO REAL ESTATE SECTOR

Category	Amount in ₹	
	As at March 31, 2013	As at March 31, 2012
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.).	942,334,653	1,605,166,465
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

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 17, 2013

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

Notes

forming part of the financial statements for the year ended March 31, 2013

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, 2013	
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		
: Unsecured	2,900,728,423	-
(b) Deferred Credits	-	-
(c) Term Loans	7,069,353,874	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial Paper	1,337,581,897	-
(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		16,515,320,122
(b) Unsecured		1,164,000,000
(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, 2013

Amount in ₹

Particulars		As at March 31, 2013		
(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	16,515,320,122	1,164,000,000	17,679,320,122
(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	-		-
	(b) Companies in the same group	-		-
	(c) Other related parties	-		-
2.	Other than related parties	1,143,457,000		1,143,457,000

(8) Other information

Particulars		Amount in ₹
(i)	Gross Non-Performing Assets	
	(a) Related parties**	-
	(b) Other than related parties	-
(ii)	Net Non-Performing Assets	
	(a) Related parties**	-
	(b) Other than related parties	-
(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.

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-13
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)	22,070,846
Total assets (excluding current liabilities and provisions)	22,070,846
Sources of Funds :	
Paid-up capital	684,367
Reserves and surplus	9,565,245
Secured loans	7,091,450
Unsecured loans	1,337,582
Deferred tax liability	Nil
Application of Funds :	
Net fixed assets	17,991
Investments	1,143,457
Deferred tax asset	38,494
Net current assets	17,478,702
Miscellaneous expenditure	Nil
IV. PERFORMANCE OF COMPANY (Amounts in ₹ Thousands)	
Turnover	2,415,778
Total expenditure	1,118,903
Profit before tax	1,296,874
Profit/(Loss) after tax	900,943
Basic and diluted earning per share in ₹	13.13
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 17, 2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

Managing Director & CEO
Mr. Vimal Bhandari

Executive Directors

Mr. Shailesh Shirali
Mr. Sanjay Hinduja
(up to 8 July 2013)

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
(joined from 17 May 2013)

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

Deloitte Haskins & Sells
Chartered Accountants

BANKERS

Axis Bank Limited
Corporation Bank
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
IndusInd Bank Limited
ING Vysya Bank Limited
Kotak Mahindra Bank Limited
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
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