**Placement Document**
**Not for Circulation**
**Serial Number [•]**
**Strictly Confidential**

# CAPITAL FIRST LIMITED

*(Incorporated in the Republic of India with limited liability under the Companies Act, 1956 with corporate identity number L29120MH2005PLC156795)*
*Registered and Corporate Office: 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013, telephone: +91 22 4042 3400, fax: +91 22 4042 3401, email: secretarial@capfirst.com, website: www.capfirst.com*

Capital First Limited (the "**Company**") is issuing 7,692,300 equity shares of face value ₹ 10 each, (the "**Equity Shares**") at a price of ₹ 390.00 per Equity Share, including a premium of ₹ 380.00 per Equity Share, aggregating to ₹ 3,000.00 million (the "**Issue**").

**ISSUE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AND CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009**

**THE ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS ("QIB") AS DEFINED UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 (THE "SEBI REGULATIONS") IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AND CHAPTER VIII OF THE SEBI REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN QIBs. THIS PLACEMENT DOCUMENT WILL BE CIRULATED ONLY TO SUCH QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.**

**YOU ARE NOT AUTHORISED TO AND MAY NOT (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISMENT OR UTILIZE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.**

**INVESTMENTS IN EQUITY AND EQUITY-RELATED SECURITIES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY AMOUNT IN THE ISSUE UNLESS THEY ARE PREPARED TO BEAR THE RISK OF LOSING ANY PART OR ALL OF THE AMOUNT INVESTED BY THEM. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.**

All of our Company's outstanding Equity Shares, are listed on the BSE Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**", and together with the BSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on the BSE and the NSE on March 18, 2015 was ₹ 399.45 and ₹ 400.10 per Equity Share, respectively. In-principle approvals under Clause 24(a) of the Equity Listing Agreement (as defined hereinafter) for listing of the Equity Shares have been received from the BSE and the NSE on March 19, 2015 and March 19, 2015, respectively. Applications will be made to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares offered through the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Company or the Equity Shares.

A copy of the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges and a copy of this Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. This Placement Document has not been reviewed by the Securities and Exchange Board of India (the "**SEBI**"), the Reserve Bank of India (the "**RBI**"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs. Our Company shall make the requisite filings with the Registrar of Companies, Mumbai, Maharashtra (the "**RoC**") and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. This Placement Document has not been and will not be registered as a prospectus with the RoC, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. The Issue is meant only for QIBs by way of a private placement and is not an offer to the public or to any other class of investors. This Placement Document has been prepared by our Company solely for providing information in connection with the Issue.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to the Preliminary Placement Document together with the respective Application Form (defined hereinafter), the CAN (as defined hereinafter) and this Placement Document. The distribution of this Placement Document or the disclosure of its contents to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and make no copies of this Placement Document or any documents referred to in this Placement Document. See "Issue Procedure".

The information contained in this Placement Document is not complete and may be changed. The information on our Company's website or any website directly or indirectly linked to our Company's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Our Company is an "investment company" (as defined in the U.S. Investment Company Act of 1940, as amended, and the related rules (the "Investment Company Act") and has not been and will not be registered under the Investment Company Act. Accordingly, the Equity Shares are being offered and sold (a) to persons in the United States and to U.S. persons (as defined in Regulation S ("Regulation S") under the Securities Act) who are both (i) qualified institutional buyers (as defined in Rule 144A under the Securities Act and referred to herein as "U.S. QIBs") and (ii) "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act and referred to in herein as "Qualified Purchasers") pursuant to Section 4(a)(2) of the Securities Act and Section 3(c)(7) of the Investment Company and (b) to persons outside the United States who are non-U.S. persons in reliance on Regulation S. The Equity Shares are not being offered or sold to any U.S. Retirement Plan (as defined hereinafter). For a description of selling restrictions in certain other jurisdictions, see "Selling Restrictions". The Equity Shares are transferable only in accordance with the restrictions described in "Transfer Restrictions".**

**This Placement Document is dated March 24, 2015.**

| BOOK RUNNING LEAD MANAGERS | |
|---|---|
| AXIS CAPITAL | JM FINANCIAL |
| **AXIS CAPITAL LIMITED** | **JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED** |

Certified True Copy
For CAPITAL FIRST LIMITED

Satish Gaikwad
Head - Legal, Compliance & Company Secretary

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## NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Placement Document and having made all reasonable enquiries, confirms, to the best of its knowledge and belief, that this Placement Document contains all information with respect to our Company and the Equity Shares, which is material in the context of the Issue. The statements contained in this Placement Document relating to our Company and the Equity Shares are, in all material respects, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Managers have not separately verified all the information (financial, legal or otherwise) contained in this Placement Document. Accordingly, neither the Book Running Lead Managers nor any of their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Issue. Each person receiving this Placement Document acknowledges that such person has neither relied on the Book Running Lead Managers nor on any of their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares. Any prospective investor should not construe anything in this Placement Document as legal, business, tax, accounting or investment advice.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or by or on behalf of the Book Running Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The distribution of this Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than QIBs whose names are recorded by our Company prior to the invitation to subscribe to the Issue (in consultation with the Book Running Lead Managers or their representatives) and those retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

**The Equity Shares issued pursuant to the Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the U.S. Securities and Exchange Commission ("SEC"), any other federal or state securities authorities in the U.S., the securities authorities of any non-U.S. jurisdiction and any other U.S. or non U.S. regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the U.S. and may be a criminal offence in other jurisdictions.**

**The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Our Company is an "investment company" as defined in the Investment Company Act and has not been and will not be registered under the Investment Company Act. Accordingly, the Equity Shares are being offered and sold (a) to persons in the United States and to U.S. persons who are both (i) U.S. QIBs and Qualified Purchasers pursuant to Section 4(a)(2) of the Securities Act and Section 3(c)(7) of the Investment Company and (b) to persons outside the United States who are non-U.S. persons in reliance on Regulation S. The Equity Shares are transferable only in accordance with the restrictions described in "Transfer Restrictions".**

In order to ensure that certain provisions of Title I of the United States Employee Retirement Income Security Act of 1974, as amended, or any successor statute ("**ERISA**"), or of Section 4975 of the of the United States Internal Revenue

Code of 1986, as amended (the "**Code**"), do not apply to our Company, the following entities are prohibited from purchasing or otherwise acquiring or holding, directly or indirectly, beneficial ownership of any Equity Shares at any time: (i) any "employee benefit plan", as defined in Section 3 of ERISA, that is subject to Title I of ERISA; (ii) any "plan", as defined in, and subject to, Section 4975 of the Code; and (iii) any other entity which may be deemed (pursuant to ERISA, regulations of the United States Department of Labor or otherwise) to hold at any time assets of any such "employee benefit plan" or "plan" (collectively, "**U.S. Retirement Plans**").

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the Book Running Lead Managers which would permit an Issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction. See "Selling Restrictions".

In making an investment decision, investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to investment, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Company nor the Book Running Lead Managers are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Chapter VIII of the SEBI Regulations and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each purchaser of the Equity Shares also acknowledges that it has been afforded an opportunity to request from our Company and review information pertaining to our Company and the Equity Shares.

**Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations and that they are not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities including the Equity Shares.** The information on our Company's website or any website directly or indirectly linked to our Company's website or the website of the Book Running Lead Managers, does not constitute or form part of this Placement Document. Prospective investors should not rely on the information contained in, or available through such websites. This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents. All references herein to "you" or "your" is to the prospective investors in the Issue.

**Notice to New Hampshire Investors**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## REPRESENTATIONS BY INVESTORS

By subscribing to any Equity Share offered in the Issue, you are deemed to have represented to us and the Book Running Lead Managers, and acknowledged, warranted and agreed as follows:

1. you are a "QIB" as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations, having a valid and existing registration under the applicable laws and regulations of India and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated (as defined hereinafter) to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;

2. if you are not a resident of India, but are a QIB (other than a multilateral and bilateral development financial institution), you are an FII (as defined hereinafter) (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) or an Eligible FPI (as defined hereinafter) or an FVCI (as defined hereinafter), and have a valid and existing registration with the SEBI under the applicable laws in India and you are eligible to invest in India under applicable law, including the FEMA Regulations (as defined hereinafter) and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by the SEBI or any other regulatory authority, from buying, selling or dealing in securities;

3. you will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws;

4. if you are Allotted (as defined hereinafter) Equity Shares, you shall not, for a period of one year from the date of Allotment (as defined hereinafter), sell the Equity Shares so acquired except on the the Stock Exchanges;

5. you are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, the SEBI Regulations or under any other law in force in India. This Placement Document has not been verified or affirmed by the RBI, the SEBI, the RoC, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs. The Preliminary Placement Document and this Placement Document have been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of our Company and the Stock Exchanges. Our Company is required to make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014;

6. you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;

7. you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in this Placement Document) and will honour such obligations;

8. you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company's Presentations**") with regard to our Company; or (ii) if you have participated in or attended any Company's Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of any information, answers, materials, documents and statements that our Company or its agents may have made at such Company's Presentations and are therefore unable to determine whether the information provided to you at such Company's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers have no liability with respect to any information that was provided to you at such Company's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

9. neither our Company nor the Book Running Lead Managers nor any of their shareholders, directors, officers, employees, counsels, representatives, agents or affiliates is making any recommendations to you, advising you regarding the suitability of an investment in the Equity Shares offered in the Issue and that participation in the

Issue is on the basis that you are not and will not, up to the Allotment, be a client of the Book Running Lead Managers and that the Book Running Lead Managers or any of their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates have no duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity to you;

10. you are aware that if you are an Allottee, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI and you consent to such disclosures. Further, if you are one of the top ten shareholders, our Company will be required to make a filing with the RoC within 15 days of the change as per Section 93 of the Companies Act, 2013;

11. you are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and they will make the same available on their website and you consent to such disclosures;

12. you understand that all statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Placement Document. Our Company and the Book Running Lead Managers assume no responsibility to update any of the forward-looking statements contained in this Placement Document;

13. you have been provided a serially numbered copy of this Placement Document and have read this Placement Document in its entirety, including, in particular, the "Risk Factors";

14. you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;

15. that in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iii) you have relied solely on the information contained in this Placement Document, which information has been independently prepared and provided solely by the Company, and no other disclosure or representation by our Company or any other party; and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

16. you are a sophisticated investor and have such knowledge and experience in financial investment and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares. You and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to our Company and/or the Book Running Lead Managers or any of their shareholders, employees, counsel, officers, directors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered; (iii) are able to sustain a complete loss on the investment in the Equity Shares; and (iv) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares. The purchasing of the Equity Shares in the Issue is for your investment purposes and not with a view for resale or distribution;

17. you understand that our Company or the Book Running Lead Managers or any of their shareholders, directors, officers, employees, counsels, representatives, agents or affiliates have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of subscription, ownership or disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the Book Running Lead Managers or any of their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates or our Company when evaluating the tax consequences in relation to the Equity Shares (including but not limited to

the Issue and the use of the proceeds from the Issue). You waive and agree not to assert any claim against the Book Running Lead Managers or any of their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates or our Company with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

18. that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing by each such managed account to acquire the Equity Shares for each managed account; and to make (and you hereby make) the representations, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

19. you are not a "Promoter" (as defined under the SEBI Regulations) and are not a person related to the "Promoter", either directly or indirectly and your Application does not directly or indirectly represent the Promoters or promoter group (as defined under the SEBI Regulations) of our Company;

20. you have no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the "Promoter", no veto rights or right to appoint any nominee director on the Board of Directors other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the "Promoter";

21. you have no right to withdraw your Application after the Bid/Issue Closing Date (as defined hereinafter);

22. you are eligible, including without limitation under applicable law, to apply for and hold the Equity Shares so Allotted and together with any securities of our Company held by you prior to the Issue. You further confirm that your aggregate holding upon the issue and Allotment shall not exceed the level permissible as per any regulation applicable to you;

23. the Application Form submitted by you would not at any stage directly or indirectly result in triggering a requirement to make public announcement to acquire Equity Shares in accordance with the Takeover Code (as defined hereinafter);

24. to the best of your knowledge and belief, your aggregate holding together with other Allottees that belong to the same group or are under common control as you, pursuant to the Allotment shall not exceed 50% of the Issue Size (as defined hereinafter). For the purposes of this representation:

    - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956.

    - 'control' shall have the same meaning as is assigned to it by clause 1 (e) of Regulation 2 of the Takeover Code.

25. you are aware that (i) applications for in-principle approval, in terms of clause 24(a) of the Equity Listing Agreement (as defined hereinafter), for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and such approval has been received from the Stock Exchanges, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

26. you shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

27. you are aware and understand that the Book Running Lead Managers have entered into a Placement Agreement with our Company whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours to seek to procure subscription for the Equity Shares on the terms and conditions set forth therein;

28. you understand that the contents of this Placement Document are exclusively the responsibility of our Company and that neither the Book Running Lead Managers nor any person acting on its behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or

any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Managers or our Company or any other person and neither the Book Running Lead Managers nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

29. you understand that the Book Running Lead Managers do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

30. you are able to purchase the Equity Shares in accordance with the restrictions described in "Selling Restrictions" and "Transfer Restrictions";

31. you understand and agree that the Equity Shares are transferable only in accordance with the restrictions described in "Transfer Restrictions" and you warrant that you will comply with those restrictions;

32. you understand that the Company has not been and will not be registered under the Investment Company Act and you will not be entitled to the benefits of the Investment Company Act;

33. you understand that our Company expects that, for U.S. federal income tax purposes, it will be considered a "passive foreign investment company" for the current year and that if you are a US Holder (as defined hereinafter) there will be certain adverse consequences under U.S. tax laws resulting from an investment in the Equity Shares, and you will make such investigation and consult such tax and other advisors with respect thereto as you deem appropriate. If you are a US Holder, you have satisfied yourself concerning, without limitation, the effects of U.S. federal, state and local income tax laws on your investment in the Equity Shares;

34. any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Preliminary Placement Document and this Placement Document;

35. that each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

36. you agree to indemnify and hold our Company and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, undertakings, and agreements in this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts; and

37. you understand that our Company, the Book Running Lead Managers, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, agreements, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Company and are irrevocable.

## OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the FPI Regulations, FPIs (other than Category III FPIs and unregulated broad based funds, which are classified as Category II FPIs (as defined in the FPI Regulations) by virtue of their investment manager being appropriately regulated unless such FPIs have entered into an offshore derivative instrument with an FII prior to January

7, 2014 or were registered as clients of an FII prior to January 7, 2014), including the affiliates of the Book Running Lead Managers, may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities, listed or proposed to be listed on any recognized stock exchange in India, such as the Equity Shares (all such offshore derivative instruments are referred to herein as **"P-Notes"**), for which they may receive compensation from the purchasers of such instruments. P-Notes may be issued only in favor of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FPI shall also ensure that further issue or transfer of any P-Note issued by or on behalf of it, is made only to persons who are regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the Book Running Lead Managers do not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers and do not constitute any obligations of or claims on the Book Running Lead Managers. FII of FPI affiliates of the Book Running Lead Managers may purchase, the Equity Shares to the extent permissible under law and may issue P-Notes in respect thereof.

**Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuers of such P-Notes and the terms and conditions of any such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.**

## DISCLAIMERS

### Disclaimer Clause of the Stock Exchanges

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

2. warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### Disclaimer clause of the RBI

The Company is having a valid certificate of registration dated April 10, 2006 issued by the RBI under Section 45 IA of the Reserve Bank of India Act, 1934. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company, or for the correctness of any of the statements or representations made or opinions expressed by the Company, and for repayment of deposits/discharge of liabilities by the Company.

**Disclaimer clause of the National Housing Bank ("NHB")**

Capital First Home Finance Private Limited ("**CFHFPL**"), a wholly-owned subsidiary of our Company, holds a valid certificate of registration dated May 16, 2013 issued by the NHB under Section 29A of the National Housing Bank Act, 1987. However, the NHB does not accept any responsibility or guarantee about the present position as to the financial soundness of CFHFPL, or for the correctness of any of the statements or representations made or opinions expressed by CFHFPL, and for repayment of deposits/discharge of liabilities by CFHFPL.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Certain Conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the prospective investors of Equity Shares in the Issue and references to the "Issuer", "our Company" or "Capital First", are to the Capital First Limited, and references to "we", "us", or "our", or similar terms are to Capital First Limited and its Subsidiaries unless the context otherwise requires.

References in this Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "central government" or the "state government" are to the Government of India, central or state, as applicable. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions. References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

### Financial and Other Information

The audited consolidated financial statements of our Company for the fiscal years 2014, 2013 and 2012, and the audited consolidated condensed interim financial statements of our Company for the quarter and nine months ended December 31, 2014 and December 31, 2013, (collectively, the "**Financial Statements**"), have been included in this Placement Document. See "Financial Statements".

Our Company has prepared its Financial Statements in Rupees in accordance with Indian GAAP, the Companies Act and the guidelines issued by the RBI, as applicable and have been audited by the Auditors in accordance with the applicable generally accepted auditing standards in India prescribed by the ICAI. The Financial Statements prepared in accordance with Indian GAAP differ in certain important aspects from U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. We have not attempted to quantify the impact of U.S. GAAP on the financial data included in this Placement Document, nor do we provide a reconciliation of our Financial Statements to those of U.S. GAAP. Accordingly, the degree to which the Financial Statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian GAAP. Any reliance by persons not familiar with Indian GAAP on the financial disclosures presented in this Placement Document should accordingly be limited.

In this Placement Document, references to "US$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹" and "Rupees" are to the legal currency of India.

The financial information relating to our Company herein have been converted from crores, lakhs or thousands, as the case may be, into millions and shown to the nearest two decimal places.

References to "lakhs" and "crores" in this Placement Document are to the following:

- one lakh represents 100,000 (one hundred thousand); and
- one crore represents 10,000,000 (ten million)

In this Placement Document, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The fiscal year of our Company commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year. Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "fiscal year" or "financial year" are to the 12 months ended on March 31.

## INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the businesses of our Company contained in this Placement Document consists of estimates based on data reports compiled by government bodies, data reports compiled by professional organisations and analysts, data from other external sources and knowledge of the markets in which we compete. Unless stated otherwise, the statistical information included in this Placement Document relating to the industry in which we operate has been reproduced from various trade, industry and government publications and websites. This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither our Company nor the Book Running Lead Managers have independently verified this data and do not make any representation regarding accuracy or completeness of such data. Our Company takes responsibility for accurately reproducing such information but accept no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so our Company has relied on internally developed estimates. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Company nor the Book Running Lead Managers can assure potential investors as to their accuracy.

**The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.**

## AVAILABLE INFORMATION

For so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and our Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, our Company will furnish to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, subject to compliance with applicable provisions of Indian laws.

## FORWARD-LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'are likely' 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'expected to', 'intend', 'is likely', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'will achieve', 'will continue', 'will likely result', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our Company's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts. These forward-looking statements contained in this Placement Document (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Company to be materially different from any of the forward-looking statements include, among others:

1. our ability to respond to slowdown in general economic growth in India and globally;
2. our ability to manage our credit quality;
3. our ability to effectively manage fluctuations in interest rates;
4. our ability to respond to competition;
5. our ability to successfully implement our strategies;
6. our ability to access funds at competitive cost;
7. any changes in connection with statutory provisions, regulations and/or RBI directions in connection with NBFCs, including laws that impact our lending rates and our ability to enforce our collateral;
8. any increase in the levels of NPA on our loan portfolio, for any reason whatsoever; and
9. any downgrading in our credit rating(s).

Additional factors that could cause actual results, performance or achievements of our Company to differ materially include, but are not limited to, those discussed under "Risk Factors", "Industry Overview", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

## ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability public company incorporated under the laws of India. All of our Company's Directors and key managerial personnel are residents of India and all of the assets of our Company and a substantial portion of the assets of such persons are located in India. As a result, it may not be possible for investors to affect service of process upon our Company or such persons in India, or to enforce judgments obtained against such parties in courts outside of India.

Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Code (as defined hereinafter) on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title except:

(a) where it has not been pronounced by a court of competent jurisdiction;
(b) where it has not been given on the merits of the case;
(c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable;
(d) where the proceedings in which the judgment was obtained are opposed to natural justice;
(e) where it has been obtained by fraud; and
(f) where it sustains a claim founded on a breach of any law in force in India.

Under the Civil Code, a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record; but such presumption may be displaced by proving want of jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and does not include arbitration awards.

The United Kingdom, Singapore and Hong Kong, amongst others have been declared by the Government to be a "reciprocating territory" for the purposes of Section 44A of the Civil Code, but the United States of America has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. A judgment of a superior court of a country which is a reciprocating territory may be enforced by proceedings in execution, and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. The latter suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, and is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws. Our Company cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

## EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupees and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. dollar of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the Reserve Bank of India. No representation is made that the Rupees amounts actually represent such amounts in U.S. dollar or could have been or could be converted into U.S. dollars at the rates indicated, any other rates, or at all.

**(₹ per USD 1.00)**

| **Fiscal year:** | **Period End** | **Average*** | **High*** | **Low*** |
|---|---|---|---|---|
| 2014 | 60.10 | 60.50 | 68.36 | 53.74 |
| 2013 | 54.39 | 54.45 | 57.22 | 50.56 |
| 2012 | 51.16 | 47.95 | 54.24 | 43.95 |
| | | | | |
| **Nine months ended:** | **Period End** | **Average*** | **High*** | **Low*** |
| December 31, 2014 | 63.33 | 60.77 | 63.75 | 58.43 |
| December 31, 2013 | 61.90 | 60.08 | 68.36 | 53.74 |
| | | | | |
| **Month ended:** | **Period End** | **Average*** | **High*** | **Low*** |
| February 28, 2015 | 61.79 | 62.04 | 62.43 | 61.68 |
| January 31, 2015 | 61.76 | 62.23 | 63.45 | 61.41 |
| December 31, 2014 | 63.33 | 62.75 | 63.75 | 61.85 |
| November 30, 2014 | 61.97 | 61.70 | 62.10 | 61.39 |
| October 31, 2014 | 61.41 | 61.34 | 61.75 | 61.04 |
| September 30, 2014 | 61.61 | 60.86 | 61.61 | 60.26 |

*Source: www.rbi.org.in*
**Note: High, low and average are based on RBI reference rate*

The exchange rate on March 23, 2015 was ₹ 62.29 per USD 1.00.

## CERTAIN DEFINITIONS AND ABBREVIATIONS

Our Company has prepared this Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein.

The following list of certain capitalized terms used in this Placement Document is intended for the convenience of the reader/prospective investor only and is not exhaustive.

The terms defined in this Placement Document shall have the meaning set forth in this section, unless specified otherwise in the context thereof, and references to any statute or regulations or policies shall include amendments thereto, from time to time.

**Company Related Terms**

| Term | Description |
|---|---|
| Articles | The articles of association of our Company. |
| Auditors | The statutory auditors of our Company being, M/s. S.R. BATLIBOI & CO. LLP, Chartered Accountants (formerly S.R. BATLIBOI & CO.). |
| "Board" or "Board of Directors" | The board of directors of our Company or any duly constituted committee thereof. |
| CMD ESOS 2014 | CMD Stock Option Scheme 2014. |
| "Company" or "Issuer" or "our Company" or "Capital First" | Capital First Limited, a public limited company incorporated under the Companies, Act, 1956 and having its registered and corporate office at 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai - 400 013, on an unconsoldiated basis. It is clarified that references to "us", "we" or "our" are to our Company, together with its Subsidiaries, on a consolidated basis. |
| Compulsorily Convertible Preference Shares | The compulsorily convertible preference shares of our Company of face value of ₹ 10 each. |
| Consumer Durable Loans | Loans provided by us for purchases of consumer durable items such as digital appliances, white goods and home appliances. |
| Directors | The directors of our Company. |
| ESOS Schemes | ESOS 2007, ESOS 2008, ESOS 2009, ESOS 2011, ESOS 2012 and CMD ESOS 2014. |
| ESOS 2007 | CFL Employee Stock Option Scheme 2007, as amended. |
| ESOS 2008 | CFL Employee Stock Option Scheme 2008, as amended. |
| ESOS 2009 | CFL Employee Stock Option Scheme 2009, as amended. |
| ESOS 2011 | CFL Employee Stock Option Scheme 2011, as amended. |
| ESOS 2012 | CFL Employee Stock Option Scheme 2012, as amended. |
| Equity Shares | The equity shares of of our Company of face value of ₹ 10 each. |
| Financial Statements | The audited consolidated financial statements of our Company for the fiscal years 2014, 2013 and 2012, and the audited consolidated condensed interim financial statements of our Company for the quarter and nine months ended December 31, 2014 and December 31, 2013. |
| Gold Loans | Loans against the pledge of gold jewellery. |
| Memorandum | The memorandum of association of our Company. |
| MSME Loans | Loans to MSMEs based on the cash flow analysis, previous credit behaviour and other diligence checks to assess their repayment capabilities. These loans are generally secured against collateral of residential or commercial property but also include unsecured short tenure working capital loans. All home loans and loans against property (even if not taken out by MSMEs) are grouped under this category of loans. |
| Promoters | The promoters of our Company are Cloverdell Investment Ltd and Dayside Investment Ltd |
| Registered and Corporate Office | The registered and corporate office of our Company located at 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai - 400 013. |
| Subsidiaries | The subsidiaries of our Company are as listed below:<br>1. Anchor Investment & Trading Private Limited;<br>2. Capital First Commodities Limited;<br>3. Capital First Home Finance Private Limited;<br>4. Capital First Investment Advisory Limited; and<br>5. Capital First Securities Limited. |

| Term | Description |
|---|---|
| Two-Wheeler Loans | Loans for purchases of new two-wheelers. |

**Subsidiaries of our Company**

| Term | Description |
|---|---|
| Anchor | Anchor Investment & Trading Private Limited |
| CFCL | Capital First Commodities Limited |
| CFHFPL | Capital First Home Finance Private Limited |
| CFIAL | Capital First Investment Advisory Limited |
| CFSL | Capital First Securities Limited |

**Issue Related Terms**

| Term | Description |
|---|---|
| Allocated /Allocation | The allocation of the Equity Shares following the determination of the Issue Price to QIBs on the basis of the Application Forms submitted by them, in consultation with the Book Running Lead Managers and in compliance with Chapter VIII of the SEBI Regulations. |
| Allot/Allotted/Allotment | The issue and allotment of the Equity Shares to the QIBs pursuant to the Issue. |
| Allottees | QIBs to whom the Equity Shares are issued and Allotted. |
| Application Form | The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue. |
| Application | An offer by a QIB pursuant to the Application Form for subscription of the Equity Shares under the Issue. |
| Bid(s) | Indication of interest of a Bidder, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares in the Issue. |
| Bid/Issue Closing Date | March 24, 2015, which is the last date up to which the Application Forms shall be accepted. |
| Bid/Issue Opening Date | March 19, 2015. |
| Bid/Issue Period | The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both dates, during which the Bidder can submit their Bids. |
| Bidder/s | Any QIB that makes a Bid by submitting an Application Form in accordance with the provisions of the Preliminary Placement Document. |
| Book Running Lead Managers | Axis Capital Limited and JM Financial Institutional Securities Limited. |
| CAN | The note or advice or intimation sent only to QIBs confirming the Allocation to such QIBs after discovery of the Issue Price and requesting payment for the entire applicable Issue Price for the Equity Shares Allocated to such QIBs. |
| Closing Date | The date on which Allotment shall be made, i.e. on or about March 26, 2015. |
| Cut-off Price | The minimum price at which the Issue Price shall be determined by our Company in consultation with the Book Running Lead Managers. |
| Designated Date | The date of credit of the Equity Shares to the QIB's demat account, as applicable to the respective QIBs. |
| Escrow Account | A special bank account entitled "Capital First Limited - QIP Escrow Account" opened by our Company with the Escrow Collection Bank in terms of the escrow agreement dated March 19, 2015 executed between our Company, the Book Running Lead Managers and the Escrow Collection Bank in relation to the Issue, into which the application monies payable by the Bidders in connection with subscription to the Equity Shares shall be deposited. |
| Escrow Collection Bank | Axis Bank Limited. |
| Floor Price | The floor price for the Issue calculated on the basis of Chapter VIII of the SEBI Regulations is ₹ 409.90 per Equity Share with reference to March 19, 2015 as the Relevant Date. The Capital Raising Committee of our Board, on March 24, 2015, approved the Issue Price of ₹ 390.00 by offering a discount of 4.85% to the Floor Price of ₹ 409.90, in accordance with the approval of the Shareholders through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014 and Regulation 85(1) of the SEBI Regulations. |
| Issue | The offer and placement of 7,692,300 Equity Shares to QIBs, pursuant to Section 42 of Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the |

| Term | Description |
|---|---|
| | SEBI Regulations. |
| Issue Price | ₹ 390.00 per Equity Share. |
| Issue Size | The issue of 7,692,300 Equity Shares aggregating to ₹ 3,000.00 million. |
| Mutual Fund | A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. |
| Pay-in Date | The last date specified in the CAN sent to the Bidders, by which the Issue Price for the Equity Shares Allocated has to be paid. |
| Placement Agreement | The placement agreement dated March 19, 2015 between our Company and the Book Running Lead Managers. |
| Placement Document | This placement document dated March 24, 2015 issued by our Company in accordance with the provisions of Section 42 of Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations. |
| Preliminary Placement Document | The preliminary placement document dated March 19, 2015 issued by our Company in accordance with the provisions of Section 42 of Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations. |
| QIB | A qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations. |
| QIP | Qualified institutions placement under chapter VIII of the SEBI Regulations. |
| Qualified Purchaser | A qualified purchaser as defined in Section 2(a)(51) of the Investment Company Act. |
| Relevant Date | March 19, 2015, being the date of the meeting in which the Board, or any committee duly authorised by the Board, decides to open the Issue. |
| Stock Exchanges | The BSE and the NSE. |
| U.S. QIBs | Qualified institutional buyers as defined in Rule 144A under the Securities Act. For the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to herein as QIBs. |

**Technical and Industry Related terms**

| Term/Abbreviation | Full Form/Description |
|---|---|
| ALM | Asset Liability Management. |
| AUM | Assets under Management, which comprises our loan assets and loans that have been assigned to third parties. |
| CAGR | Compounded Annual Growth Rate. |
| CPI | Consumer Price Index. |
| CRAR | Capital to Risk Assets Ratio. |
| CRR | Cash Reserve Ratio. |
| ECS | Electronic Clearing System. |
| IRDA | Insurance Regulatory and Development Authority in India. |
| LAF | Liquidity Adjustment Facility. |
| LTV | Loan To Value. |
| MSME | Micro, Small and Medium Enterprises. |
| MSF | Marginal Standing Facility. |
| NBFC | Non-Banking Financial Company. |
| NBFC-D | Deposit taking Non-Banking Financial Company. |
| NBFC-ND | Non-Deposit taking Non-Banking Financial Company. |
| NBFC-ND-SI | Systemically Important Non Deposit Accepting Non-Banking Financial Company. |
| NHB | National Housing Bank. |
| NHB Directions, 2010 | The Housing Finance Companies (NHB) Directions, 2010, as amended. |
| NPA | Non-performing asset (on a standalone basis). |
| PDI | Perpetual Debt Instrument. |
| PMI | Purchasing Managers' Index. |
| Repos | Term repurchase agreements. |
| SME | Small and Medium Enterprises. |

**Conventional and General Terms/ Abbreviations**

| Term/Abbreviation | Description |
|---|---|
| AGM | An annual general meeting of the shareholders. |

| Term/Abbreviation | Description |
|---|---|
| AIF | Alternative investment funds as defined in the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. |
| AS | The accounting standards issued by the Institute of Chartered Accountants of India. |
| AY | An assessment year. |
| BOLT | BSE On-line Trading. |
| BSE | BSE Limited. |
| CARE | Credit Analysis and Research Limited. |
| Category III FPIs | A FPI registered as a category III foreign portfolio investor under the FPI Regulations. |
| CERSAI | The Central Registry of Securitization Asset Reconstruction and Security Interest of India. |
| Civil Code | The Code of Civil Procedure, 1908. |
| CIN | Corporate Identity Number. |
| CIBIL | The Credit Information Bureau (India) Limited. |
| Code | United States Internal Revenue Code of 1986, as amended. |
| Companies Act / Act | The Companies Act, 1956 and/or the Companies Act, 2013, as applicable. |
| Companies Act, 1956 | The Companies Act, 1956, as amended (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections) and the rules made thereunder. |
| Companies Act, 2013 | The Companies Act, 2013, to the extent in force pursuant to the notification of the Notified Sections, and the rules made thereunder. |
| CRIS | CRISIL Risk and Infrastructure Solutions. |
| CRISIL | CRISIL Limited. |
| Depositories Act | The Depositories Act, 1996. |
| Depository | A depository registered with the SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996. |
| Depository Participant | A depository participant as defined under the Depositories Act, 1996. |
| EGM | An extraordinary general meeting of the shareholders. |
| ERISA | Title I of the United States Employee Retirement Income Security Act of 1974, as amended, or any successor statute. |
| Eligible FPIs | FPIs that are eligible to participate in the Issue and does not include Category III FPIs who are not allowed to participate in the Issue. |
| Equity Listing Agreement | The equity listing agreement entered by our Company with each of the Stock Exchanges. |
| FDI | Foreign direct investment. |
| FEMA | The Foreign Exchange Management Act, 1999 and the rules, regulations, notifications and circulars issued thereunder. |
| FEMA Regulations | The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. |
| FII | A foreign institutional investor who is registered under the SEBI FPI Regulations. |
| Fiscal year / Financial Year | The period commencing on April 1 of a calendar year and ending on March 31 of the following calendar year. |
| FPI(s) | A person who satisfies the eligibility criteria prescribed under Regulation 4 of the FPI Regulations and has been registered under Chapter II of the FPI Regulations, which shall be deemed to be an intermediary in terms of the provisions of the SEBI Act.<br>Provided that any foreign institutional investor or qualified foreign investor who holds a valid certificate of registration shall be deemed to be a FPI till the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. |
| FPI Regulations | The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014. |
| Form PAS-4 | The Form PAS-4 prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014. |
| FVCI | A foreign venture capital investor as defined and registered with the SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 registered with the SEBI under the applicable laws in India. |
| GAAP | Generally accepted accounting principles. |
| GDP | Gross domestic product. |

| Term/Abbreviation | Description |
|---|---|
| Government | The Government of India, unless otherwise specified. |
| HFCs | Housing Finance Companies. |
| IFRS | International Financial Reporting Standards of the International Accounting Standards Board. |
| IND AS | Indian Accounting Standards (Ind AS) 101 "First-time Adoption of Indian Accounting Standards" as notified by the Ministry of Corporate Affairs, Government of India, on February 25, 2011. |
| India | The Republic of India. |
| Indian GAAP | The generally accepted accounting principles followed in India. |
| Insider Trading Regulations | Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. |
| Investment Company Act | U.S. Investment Company Act of 1940, as amended, and the related rules. |
| ISIN | International Securities Identification Number. |
| ISARC | India SME Asset Reconstruction Company Limited. |
| IT Act | The Income Tax Act, 1961. |
| KYC | Know Your Client. |
| MSME Ministry | The Ministry of Micro, Small and Medium Enterprises. |
| MSMED Act | Micro, Small and Medium Enterprise Development Act, 2006. |
| Notified Sections | The sections of the Companies Act, 2013 that have been notified by the Government of India. |
| NRI | Non Resident Indian. |
| NSE | National Stock Exchange of India Limited. |
| OFAC | U.S. Treasury Department's Office of Foreign Assets Control. |
| PFIC | Has the meaning given to that term in "Taxation - Certain U.S. Federal Income Tax Considerations". |
| p.a. | Per annum. |
| P/E Ratio | Price/Earnings Ratio. |
| PAN | Permanent Account Number. |
| PMLA | The Prevention of Money Laundering Act, 2002. |
| RBI | The Reserve Bank of India. |
| RBI Act | The Reserve Bank of India Act, 1934. |
| Regulation S | Regulation S under the Securities Act. |
| RoC | The Registrar of Companies, Mumbai, Maharashtra. |
| ₹/Rupees | The legal currency of India. |
| RTGS | Real-Time Gross Settlement. |
| SARFAESI Act | The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. |
| Shareholders | The registered holders of the Equity Shares. |
| SC | Supreme Court of India. |
| SCRA | The Securities Contracts (Regulation) Act, 1956. |
| SCRR | The Securities Contracts (Regulation) Rules, 1957. |
| SCR (SECC) Rules | The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012. |
| SEBI | The Securities and Exchange Board of India. |
| SEBI Act | The Securities and Exchange Board of India Act, 1992. |
| SEBI FII Regulations | The Securities and Exchange Board of India (Foreign Institutional Investors), Regulations, 1995. |
| SEBI Regulations | The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. |
| SEC | United States Securities and Exchange Commission. |
| Securities Act | U.S. Securities Act of 1933, as amended. |
| STT | Securities transaction tax. |
| Takeover Code | The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. |
| US$/U.S.dollar | United States Dollars. |
| U.S. GAAP | Generally accepted accounting principles in the United States of America. |
| U.S. Holder | Has the meaning given to that term in "Taxation – U.S. Taxation". |
| VCF | A Venture Capital Fund as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 or the erstwhile Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as the case may be. |

## SUMMARY OF THE ISSUE

*The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including under the sections titled "Risk Factors", "Use of Proceeds", "Issue Procedure", "Description of the Equity Shares" and "Placement". The information contained in "Description of the Equity Shares" shall prevail in the event of any inconsistency with the terms set out in this section.*

| | |
|---|---|
| **Issuer** | Capital First Limited. |
| **Issue Size** | Issue of 7,692,300 Equity Shares aggregating to ₹ 3,000.00 million. |
| **Issue Price** | ₹ 390.00 per Equity Share. |
| **Face Value** | ₹ 10 per Equity Share. |
| **Floor Price** | The Floor Price calculated on the basis of Chapter VIII of the SEBI Regulations is ₹ 409.90 per Equity Share with reference to March 19, 2015 as the Relevant Date. The Capital Raising Committee of our Board, on March 24, 2015, approved the Issue Price of ₹ 390.00 by offering a discount of 4.85% to the Floor Price of ₹ 409.90, in accordance with the approval of the Shareholders through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014 and Regulation 85(1) of the SEBI Regulations. |
| **Authority for the Issue** | The Issue was authorised and approved by the Board on September 24, 2014 and approved by the Shareholders through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014 for an issue size of up to ₹ 3,000 million. |
| **Eligible investors** | A qualified institutional buyer as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations. |
| **Equity Shares issued and outstanding immediately prior to the Issue** | 83,289,969 Equity Shares. |
| **Equity Shares issued and outstanding immediately after the Issue** | 90,982,269 Equity Shares. |
| **Dividend** | For more information, see "Description of the Equity Shares", "Dividends" and "Taxation". |
| **Indian Taxation** | For more information, see "Taxation". |
| **Issue Procedure** | The Issue is being made only to QIBs in reliance upon Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations. See "Issue Procedure". |
| **Listing** | Our Company has obtained in-principle approvals for the listing of the Equity Shares issued pursuant to the Issue in terms of Clause 24 (a) of the Equity Listing Agreement, from the Stock Exchanges. Our Company shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of the Equity Shares to the beneficiary accounts of the QIBs with the Depository Participants, respectively. |
| **Transfer Restrictions** | The Equity Shares being Allotted shall not be sold for a period of one year from the date of Allotment except on the floor of the Stock Exchanges.<br><br>The Equity Shares are subject to certain selling and transfer restrictions. For details, see "Selling Restrictions" and "Transfer Restrictions". |
| **Pay-in Date** | Last date specified in the CAN sent to the QIBs, by which the consideration for the Equity Shares has to be paid. |
| **Closing Date** | The date on which Allotment shall be made, i.e. on or about March 26, 2015. |
| **Ranking** | The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the date of Issue. For details, see "Description of the Equity Shares". |

| | |
|---|---|
| **Lock-up** | Our Company shall not, without the consent of the Book Running Lead Managers, during the period commencing from the date of the Placement Agreement and ending 90 calendar days after the date of Allotment or failure of the Issue and the termination of the Placement Agreement, whichever is earlier, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any Encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. The foregoing restriction shall not apply to any issuance, sale, transfer or disposition of Equity Shares by the Company (a) pursuant to this Issue; (b) pursuant to the ESOS Schemes; (c) to the extent such issuance, sale, transfer or disposition is required by any statutory or regulatory authorities or under Indian law.<br><br>For details, see "Placement - Lock up". |
| **Use of Proceeds** | The total proceeds of the Issue will be ₹ 3,000.00 million. After deducting the issue expenses, the net proceeds of the Issue will be approximately ₹ 2,925.00 million.<br><br>For further details, see "Use of Proceeds". |
| **Risk Factors** | Prior to making an investment decision, QIBs should consider carefully the matters discussed under "Risk Factors". |
| **Security Codes for the Equity Shares:** | |
| **ISIN** | INE688I01017 |
| **BSE Code** | 532938 |
| **NSE Symbol** | CAPF |

**DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013**

*The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.*

| S. No. | Disclosure Requirements | Page No. |
|---|---|---|
| **1.** | **GENERAL INFORMATION** | |
| a. | Name, address, website and other contact details of the company indicating both registered office and corporate office. | 185 |
| b. | Date of incorporation of the company. | 180 |
| c. | Business carried on by the company and its subsidiaries with the details of branches or units, if any. | 103 to 111 |
| d. | Brief particulars of the management of the company. | 112 to 119 |
| e. | Names, addresses, DIN and occupations of the directors. | 112 to 113 |
| f. | Management's perception of risk factors. | 32 to 51 |
| g. | Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of – | |
| (i) | statutory dues; | Nil, 179 |
| (ii) | debentures and interest thereon; | Nil, 179 |
| (iii) | deposits and interest thereon; and | Nil, 179 |
| (iv) | loan from any bank or financial institution and interest thereon. | Nil, 179 |
| h. | Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process. | 185 |
| **2.** | **PARTICULARS OF THE OFFER** | |
| a. | Date of passing of board resolution. | 180 |
| b. | Date of passing of resolution in the general meeting, authorizing the offer of securities. | 180 |
| c. | Kinds of securities offered (i.e. whether share or debenture) and class of security. | 19 |
| d. | Price at which the security is being offered including the premium, if any, along with justification of the price. | 19 |
| e. | Name and address of the valuer who performed valuation of the security offered. | Not Applicable |
| f. | Amount which the company intends to raise by way of securities. | 55 |
| g. | Terms of raising of securities: | |
| (i) | Duration, if applicable; | Not Applicable |
| (ii) | Rate of dividend; | 57 |
| (iii) | Rate of interest; | Not Applicable |
| (iv) | Mode of payment; and | Not Applicable |
| (v) | Repayment. | Not Applicable |
| h. | Proposed time schedule for which the offer letter is valid. | 15 |
| i. | Purposes and objects of the offer. | 55 |
| j. | Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects. | 55 |

| S. No. | Disclosure Requirements | Relevant Page of this Placement Document |
|---|---|---|
| k. | Principle terms of assets charged as security, if applicable. | Not Applicable |
| **3.** | **DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.** | |
| a. | Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons. | Nil, 119 |
| b. | Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed. | Nil, 179 |
| c. | Remuneration of directors (during the current year and last three financial years). | 114 to 115 |
| d. | Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided. | 82 |
| e. | Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark. | 31 |
| f. | Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries. | 178 to 179 |
| g. | Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company. | 179 |
| **4.** | **FINANCIAL POSITION OF THE COMPANY** | |
| a. | the capital structure of the company in the following manner in a tabular form- | |
| (i)(a) | the authorized, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value); | 58 |
| (b) | size of the present offer; | 19 |
| (c) | paid up capital: | 58 |
| (A) | after the offer; and | 58 |
| (B) | after conversion of convertible instruments (if applicable); | Not Applicable |
| (d) | share premium account (before and after the offer). | 58 |
| (ii) | the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration. | 58 to 61 |
| | Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case. | Not Applicable |

| S. No. | Disclosure Requirements | Relevant Page of this Placement Document |
|---|---|---|
| b. | Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter. | F-1 to F-162 |
| c. | Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid). | 57 and 83 |
| d. | A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter. | 27 to 30 |
| e. | Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter. | 30 |
| f. | Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company. | 69 to 70 |
| **5.** | **A DECLARATION BY THE DIRECTORS THAT**<br><br>a. the company has complied with the provisions of the Act and the rules made thereunder.<br><br>b. the compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.<br><br>c. the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter. | 184 |

## SUMMARY OF BUSINESS

### Overview

Our Company is a Systemically Important Non-Deposit Accepting Non-Banking Financial Company ("**NBFC-ND-SI**"). We primarily provide retail loans to MSMEs and consumers, including long term loans secured by property, two-wheeler loans and consumer durable loans. Additionally, we provide loans to corporate customers (wholesale loans). Over the last few years, we have consistently increased retail loans as a proportion of our overall AUM. As at December 31, 2014, our total retail AUM was ₹ 98,428.44 million, which constituted 84.15% of our total AUM compared to the same being at 55.94% as at March 31, 2012.

We provide loans to MSMEs ("**MSME Loans**") based on the cash flow analysis, previous credit behaviour and other diligence checks to assess their repayment capabilities. These loans are generally secured against collateral of residential or commercial property. We also provide unsecured short tenure working capital loans to the MSMEs.

We provide financing for purchases of new two-wheelers ("**Two-Wheeler Loans**"). Our Two-Wheeler Loans are originated by the Two-Wheeler dealerships. These loans are generally availed by micro entrepreneurs and salaried employees. As at December 31, 2014, we had agreements with dealers for distributing two-wheeler loans at over 1,500 empanelled two-wheeler dealership points across India.

We provide financing for digital appliances, white goods and home appliances ("**Consumer Durable Loans**"). Loans for digital appliances like laptops, tablets, smart-phones and printers, are usually availed by micro entrepreneurs and loans for home appliances like air conditioners, refrigerators, washing machines and televisions are usually availed by salaried consumers. Consumer Durable Loans are originated at sales stores, including large retail format stores, modern retail stores, and small retail stores. We have agreements with major consumer durables manufacturers in India for financing their products at these stores. As at December 31, 2014, our Consumer Durable loans are distributed at more than 2,500 empanelled stores across India.

We currently provide wholesale loans on a selective basis to corporate customers, primarily to real estate developers, against security of underlying assets and supported by escrow of the project cash flows. As at December 31, 2014, our total wholesale loans AUM was ₹ 18,544.36 million, which constituted 15.85% of our total AUM.

In addition to our loans business, we are a corporate agent for distributing life insurance products and general insurance products with reputed insurance companies in India.

As at December 31, 2014, we cater to customers in 222 towns across India through our employees, members of our direct sales team, direct sales agents and our network of 89 branches spread across 40 cities. As at December 31, 2014, we had 1,028 employees.

Our total AUM was ₹ 61,857.49 million, ₹ 75,095.68 million, ₹ 96,790.59 million and ₹ 116,972.80 million as at March 31, 2012, 2013 and 2014 and December 31, 2014, respectively. As at March 31, 2012, 2013 and 2014 and December 31, 2014, our gross NPAs as a percentage of our gross advances were 0.08%, 0.11% 0.44%, and 0.63%, respectively, and our net NPAs as a percentage of our net advances were 0.00%, 0.01%, 0.08% and 0.02%, respectively.

The Company's CRAR on a standalone basis computed on the basis of applicable RBI requirements was 20.22% as at December 31, 2014.

For the nine months ended December 31, 2013 and 2014, our total revenue was ₹ 7,816.03 million and ₹ 10,568.14 million, respectively, and our profit after tax was ₹ 228.00 million and ₹ 778.08 million, respectively. For the years ended March 31, 2012, 2013 and 2014, our total revenue was ₹ 7,437.44 million, ₹ 8,196.19 million and ₹ 10,625.14 million, respectively, and our profit after tax was ₹ 1,058.31 million, ₹ 631.09 million and ₹ 526.28 million, respectively.

### Company History

The Company was incorporated in the year 2005 and received NBFC license from the RBI in 2006. In 2008, the Company was listed on both the NSE and the BSE. In order to take an entrepreneurial role, in August 2010, Mr. V. Vaidyanathan, with more than two decades experience in retail banking with Citibank and ICICI Bank in senior positions, joined the Board of Directors of the Company. When he joined the Company, it was largely a wholesale

lending NBFC.

In the financial year 2011, we divested our entire stake in a 50:50 joint venture with Centrum Capital, which was engaged in the business of forex money changing. In the financial year 2012, we merged an existing subsidiary NBFC, which conducted retail finance business, with the parent company. As at March 31, 2012, our retail AUM as a percentage of our overall AUM was 55.94%.

In the financial year 2013, the Company has issued through a combination of 3,086,420 fresh Equity Shares of ₹ 10 each at the premium of ₹ 152 each, aggregating to ₹ 500 million and 3,086,420 fresh Compulsorily Convertible Preference Shares of ₹ 10 each at the premium of ₹ 152 each, aggregating to ₹ 500 million. Thus, in the financial year 2013, Cloverdell Investment Ltd., through a combination of purchases of Equity Shares from existing shareholders and the issues of fresh Equity Shares from the Company and fresh Compulsorily Convertible Preference Shares, acquired a controlling stake in the Company.

In May 2013, our Company's 100% owned subsidiary, Capital First Home Finance Private Limited, obtained a certificate of registration from the National Housing Bank to commence a housing finance business.

In the third quarter of the financial year 2014, as a strategy to focus on the core business of retail financing to MSME and consumers, we discontinued our equity broking and commodity broking businesses.

In March 2014, the Company issued 11,607,145 Equity Shares of ₹ 10 each at the premium of ₹ 143.80 each on a preferential basis to Cloverdell Investment Ltd and HDFC Standard Life Insurance Company Limited. The gross proceeds from the issue were ₹ 1,785.18 million.

We previously extended gold loans against the pledge of gold jewellery ("**Gold Loans**"). In February 2015, we decided to discontinue our Gold Loans business. As of December 31, 2014, the Gold Loan portfolio constituted 4.10% of our total AUM. As of December 31, 2014 our Gold Loans business was serviced through our network of 43 exclusive branches and 11 full service branches spread across India. We intend to close the 43 exclusive Gold Loans branches as part of the winding down process of the Gold Loans business.

Over the last four years, our Company has transformed into a retail financing focused NBFC with 84.15% of our AUM in the retail finance business as at December 31, 2014.

**Our Competitive Strengths**

***Established Player in the MSME Loan Segment with a Diversified Product Portfolio***

We have invested considerable time in developing customized credit assessment and operations processes to meet the needs of the MSME segment. The MSME Loans constitute the majority of our total AUM as at December 31, 2014. In addition to MSME Loans, MSMEs avail Two Wheeler Loans and Consumer Durable Loans.

The overall demand for debt in the MSME sector is estimated to be approximately ₹ 26 trillion (U.S.$520 billion). *(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation).* For further details, see "*Industry*".

We believe that our experience in providing the debt finance products to MSMEs and developing processes tailored to the MSME segment puts us in an ideal position to continue to tap this growing customer segment.

***Experienced Board & Management Team***

Our Board of Directors includes individuals experienced in a wide range of subjects relevant to our business including banking, finance, financial policy and governance. The Board members of our Company have served as board members at large reputed organizations in India. The members of our management team have a diverse set of backgrounds with substantial relevant experience, including credit evaluation, technical evaluation, risk management, treasury, technology and marketing. For further details, see "Board of Directors and Key Management Personnel".

***Strong Credit Evaluation Framework and High Asset Quality***

We have invested considerable time and efforts in developing customized credit assessment and operations processes to

meet the needs of the MSME customer segment. We are constantly working towards further improving our credit evaluation processes. We have contemporary loan origination system, strict monitoring framework and systems to ensure the high standards of on-boarding credit quality and portfolio performance. We have implemented sophisticated analytics and automated credit scoring solutions for credit evaluation of two wheeler loans and consumer durable loans.

Our robust credit framework has ensured asset quality over the years. As at March 31, 2012, 2013 and 2014 and December 31, 2014, our gross NPAs as a percentage of our gross advances were 0.08%, 0.11%, 0.44% and 0.63%, respectively, and our net NPAs as a percentage of our net advances were 0.00%, 0.01%, 0.08%, and 0.02%, respectively.

***High Credit Rating***

We are currently rated by two accredited credit rating agencies. The details of our current credit ratings are as follows:

| Rating Agency | Short Term Borrowing Programme | Long Term Bank Loan Facilities | Secured Redeemable Non-Convertible Debentures | Subordinated Debt Non-Convertible Debentures | Perpetual Non-Convertible Debentures |
|---|---|---|---|---|---|
| CARE | A1+ | AA+ | AA+ | AA+ | AA |
| BWR | - | AA+ | AA+ | AA+ | AA |

Our credit ratings reflect and recognize the Promoter, experienced management team, comfortable capitalization levels, comfortable asset quality parameters and liquidity position in our company. These high credit ratings indicate a strong capacity for timely repayment and low credit risk. This enables us to borrow funds at highly competitive rates.

***Conservative Asset Liability Management***

We follow a conservative funding strategy, which gives us adequate asset liability stability. As a protection from liquidity risk, we generally follow a policy of matched funding. This means that all assets are generally funded by corresponding liabilities of similar maturities on an actuarial basis.

**Our Strategies**

We are committed to being a technology-driven and customer-oriented NBFC with a focus on lending to the MSME segment. We are dedicated to providing quality service to our customers and maintaining high standards of corporate responsibility. Our key business strategies include the following:

***Continue to Expand our Retail Loans***

We believe that MSME segment in India is underserved and there is a huge opportunity to finance this segment with customized and sophisticated credit evaluation tools. We have identified MSME Loans as a key line of business for growth and as at December 31, 2014, we have financed over 500,000 MSME customers. It is a challenge for MSMEs to raise funds through traditional sources of financing. Our operating model and presence enable us to disburse loans in a quick, efficient and convenient manner. We will continue to provide the MSME sector in India with debt capital to support its growth. We are also focusing on growing our other retail lending assets.

***Improving our Operating Leverage***

Over the past few years, we have expanded our sales platform and customized credit assessment and operations processes to meet the needs of the MSME customer segment. We have made investments in technology platforms, infrastructure, manpower and supervisory structures. We plan to focus on deeper penetration in our existing markets and increase our productivity with the help of efficient processes and technology support. Our near term focus is on increasing our loans using our existing sales platform and operational infrastructure, which would lead to improvement in our operating leverage. This would result in income growth that is higher than the growth in our operating expenses, which would increase our profitability.

***Provide Wholesale Loans on Selective Basis***

As a strategy, we focused on the expansion of our retail loan business and as a result our wholesale loan AUM declined from 44.06% of our total AUM as at March 31, 2012 to 15.85% as at December 31, 2014. Going forward, we only intend to provide wholesale loans on selective basis.

## SELECTED FINANCIAL INFORMATION

*The selected financial information set forth below has been derived from the Financial Statements, which are included in "Financial Statements". Amounts set forth below have been converted into millions and shown to the nearest million to two decimal places. The selected financial information set forth below is based on the numbers appearing in the corresponding period's audited financial statements and not on the amounts included for comparison purposes in the following period's financial statements, e.g., the selected financial information below as at and for the year ended March 31, 2013 is based on our audited consolidated financial statements as at and for the year ended March 31, 2013 and not on the numbers as at that date and for that period included for comparison purposes in our audited consolidated financial statements as at and for the year ended March 31, 2014.*

### SELECTED DATA OF CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

| | | | | | *₹ in millions* |
|---|---|---|---|---|---|
| | **Particulars** | **As at December 31, 2014** | **As at March 31, 2014** | **As at March 31, 2013** | **As at March 31, 2012** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' Funds** | | | | | |
| | Share Capital | 831.31 | 820.22 | 704.15 | 644.98 |
| | Reserves and Surplus | 11,820.11 | 10,889.95 | 8,902.98 | 7,670.73 |
| | | **12,651.42** | **11,710.17** | **9,607.13** | **8,315.71** |
| | **Share application money pending allotment** | **-** | **8.36** | **-** | **-** |
| **Non - Current Liabilities** | | | | | |
| | Long term borrowings | 49,057.16 | 55,700.92 | 44,215.26 | 27,203.36 |
| | Other Long term liabilities | 453.65 | 383.63 | 291.75 | 133.69 |
| | Long term provisions | 977.39 | 952.57 | 806.12 | 941.00 |
| | | **50,488.20** | **57,037.12** | **45,313.13** | **28,278.05** |
| **Current Liabilities** | | | | | |
| | Short term borrowings | 16,806.80 | 14,664.46 | 10,702.90 | 11,522.35 |
| | Trade payables | 826.96 | 1,396.73 | 551.76 | 421.09 |
| | Other current liabilities | 26,882.03 | 16,125.92 | 8,647.12 | 7,948.73 |
| | Short term provisions | 455.00 | 376.59 | 577.32 | 365.09 |
| | | **44,970.79** | **32,563.70** | **20,479.10** | **20,257.26** |
| | **TOTAL** | **108,110.41** | **101,319.35** | **75,399.36** | **56,851.02** |
| | | | | | |
| **ASSETS** | | | | | |
| **Non - Current Assets** | | | | | |
| | Fixed Assets | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | - Tangible assets | 165.69 | 224.01 | 256.18 | 247.16 |
| | | - Intangible assets | 46.63 | 51.63 | 70.04 | 38.32 |
| | | - Capital work in process | - | - | - | 20.10 |
| | | - Intangible assets under development | - | - | - | 14.04 |
| | | - Goodwill on Consolidation | - | 64.49 | 64.49 | 79.87 |
| | | | **212.32** | **340.13** | **390.71** | **399.48** |
| | | | | | | |
| | | Non - current investments | - | 11.07 | 763.44 | 2,754.65 |
| | | Deferred tax assets (Net) | 357.55 | 170.80 | 86.74 | 69.19 |
| | | Long term loans and advances | 67,621.34 | 50,085.19 | 39,634.89 | 26,752.53 |
| | | Other non current assets | 2,522.87 | 2,517.64 | 2,154.46 | 2,231.32 |
| | | | **70,714.08** | **53,124.83** | **43,030.24** | **32,207.18** |
| | **Current Assets** | | | | | |
| | | Current Investments | 676.89 | 3,463.15 | 685.71 | 576.53 |
| | | Trade receivables | 223.92 | 93.60 | 389.89 | 563.87 |
| | | Cash and Bank Balances | 11,387.59 | 20,130.75 | 12,206.03 | 5,091.97 |
| | | Short term loans and advances | 22,511.98 | 23,142.92 | 18,095.45 | 17,713.10 |
| | | Other current assets | 2,595.95 | 1,364.10 | 992.04 | 698.38 |
| | | | **37,396.33** | **48,194.52** | **32,369.12** | **24,643.85** |
| | | **TOTAL** | **108,110.41** | **101,319.35** | **75,399.36** | **56,851.02** |

**SELECTED DATA OF CONSOLIDATED STATEMENT OF INCOME AND EXPENSES**

| | | | | | | ₹ *in millions* |
|---|---|---|---|---|---|---|
| | **Particulars** | **For the nine months ended December 31, 2014** | **For the nine months ended December 31, 2013** | **For the year ended March 31, 2014** | **For the year ended March 31, 2013** | **For the year ended March 31, 2012** |
| | Revenue from Operations | 10,402.63 | 7,796.88 | 10,530.07 | 8,147.93 | 7,401.46 |
| | Other Income | 165.51 | 19.15 | 95.07 | 48.26 | 35.98 |
| | **Total revenue** | **10,568.14** | **7,816.03** | **10,625.14** | **8,196.19** | **7,437.44** |
| | | | | | | |
| | **Expenses** | | | | | |
| | Employee benefits expense | 1,021.95 | 1,004.52 | 1,267.89 | 1,393.60 | 868.41 |
| | Finance costs | 5,869.53 | 4,735.79 | 6,466.81 | 4,834.24 | 3,976.97 |
| | Depreciation and Amortisation expense | 72.15 | 49.06 | 58.88 | 69.98 | 54.86 |
| | Other expenses | 2,446.99 | 1,668.69 | 2,184.05 | 1,379.29 | 1,021.26 |
| | **Total Expenses** | **9,410.62** | **7,458.06** | **9,977.63** | **7,677.11** | **5,921.50** |
| | | | | | | |
| | **Profit before exceptional items and tax** | **1,157.52** | **357.97** | **647.51** | **519.08** | **1,515.94** |
| | Exceptional Items | - | - | - | 213.09 | - |
| | **Profit before tax** | **1,157.52** | **357.97** | **647.51** | **732.17** | **1,515.94** |
| | | | | | | |
| | **Tax expense:** | | | | | |
| | - Current tax | 593.13 | 204.44 | 316.13 | 184.47 | 465.92 |
| | - Minimum Alternative Tax (MAT) Credit entitlement | (0.36) | - | (1.76) | (65.84) | - |
| | - Deferred tax credit | (183.29) | (74.47) | (84.28) | (17.55) | (8.72) |
| | - Tax for earlier years | 0.02 | - | (172.09) | - | 0.43 |
| | | **409.50** | **129.97** | **58.00** | **101.08** | **457.63** |
| | **Profit for the year/period from Continuing Operations (A)** | **748.02** | **228.00** | **589.51** | **631.09** | **1,058.31** |
| | | | | | | |
| | Profit/(loss) before tax from discontinuing operations | 37.57 | - | (57.24) | - | - |
| | Tax expense of discontinuing operations | 7.51 | - | 5.99 | - | - |
| | **Profit/(loss) from discontinuing operations (after tax) (B)** | **30.06** | **-** | **(63.23)** | **-** | **-** |
| | **Profit/(Loss) for the year/period (A)+(B)** | **778.08** | **228.00** | **526.28** | **631.09** | **1,058.31** |

**SELECTED DATA OF CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENTS**

| | | | | |
|---|---|---|---|---|
| | | | | *₹ in millions* |
| | **Particulars** | **For the year ended March 31, 2014** | **For the year ended March 31, 2013** | **For the year ended March 31, 2012** |
| | | | | |
| | **Net Cash used in Operating Activities (A)** | **(12,340.82)** | **(12,226.70)** | **(12,943.86)** |
| | | | | |
| | **Net Cash (used in) / generated from Investing Activities (B)** | **(2,941.58)** | **1,998.76** | **(356.97)** |
| | | | | |
| | **Net Cash generated from Financing Activities (C)** | **23,498.42** | **16,885.06** | **14,902.45** |
| | | | | |
| | **Net increase in Cash and Cash Equivalents during the year (A+B+C)** | **8,216.02** | **6,657.12** | **1,601.62** |
| | | | | |
| | Cash and Cash equivalents at beginning of the year | 11,713.09 | 5,055.97 | 3,454.34 |
| | | | | |
| | **Cash and Cash equivalents at the end of the year** | **19,929.11** | **11,713.09** | **5,055.96** |
| | | | | |
| | | | | *₹ in millions* |
| | **Particulars** | **As at March 31, 2014** | **As at March 31, 2013** | **As at March 31, 2012** |
| | **Cash and Cash equivalents comprises of :** | | | |
| | Cash in Hand | 139.41 | 160.45 | 103.06 |
| | Balance with Banks | | | |
| | - in unpaid dividend accounts | 1.37 | 0.88 | 0.60 |
| | - in unpaid share application money | 1.93 | 2.02 | 2.31 |
| | - in current account | 11,104.87 | 9,549.74 | 4,949.99 |
| | - in deposit accounts having original maturity less than three months | 8,681.53 | 2,000.00 | - |
| | **Total** | **19,929.11** | **11,713.09** | **5,055.96** |

**Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of filing this Placement Document:**

We have set forth below in quotation marks copies of qualifications appearing in the auditors' Companies (Auditors' Report) Order, 2003 reports in the last five years. References to "we" in those reports are to the auditors.

1. **Fiscal 2010:**

   There were no reservations or qualifications or adverse remarks of the Auditors.

2. **Fiscal 2011:**

   There were no reservations or qualifications or adverse remarks of the Auditors.

3. **Fiscal 2012:**

   **Qualification:**

   "Based on 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 management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit *except for an instance of fraud reported on the Company by a customer who availed loans aggregating to ₹45 lakhs from the Company on the basis of fraudulent documents. The Company has initiated arbitration proceedings against the said customer and has fully provided an amount of ₹44.54 lakhs net of recovery of ₹2.70 lakhs.*"

   **Management Response:**

   The subject matter of the loan i.e mortgage property is a multi funded property loan wherein the customer has availed loan on basis of fraudulent documents. The Company has initiated legal action and the said case is pending before the debt recovery tribunal. The Company as a part of its risk management policy has implemented multiple risk mitigation process for identifying frauds. The Company approaches the sub-registrar to verify the genuiness of the documents and gets the encumbrance certificate/title search reports extracted. The risk control unit of the Company also does property checks and critical property documents are verified from issuing authorities. The Company has suitably implemented additional changes in the credit evaluation process to address this issue.

4. **Fiscal 2013:**

   **Qualification:**

   "We have been informed that *certain employees of the Company in collusion with third parties including customers had misappropriated funds amounting to ₹405.51 lakhs by falsifying gold loan documents and tendering fake gold as security during the year under audit.* The Company has initiated legal proceedings for recovery of the said amount against the said customer and employees from whom gold was seized which is still lying with police custody. Although the Company has also filed an insurance claim for claiming the loss, it has written off the entire loan amount aggregating to ₹ 405.51 lakhs."

   **Management Response:**

   During the year ended March 31, 2013, the Company had noticed fraud in respect of Gold loans involving collusion with employees of the Company who had availed loans and embezzled loans aggregating to ₹ 405.51 lakhs from the Company on the basis of fraudulent documents and gold. The Company has initiated legal proceedings for recovery of the said amount against the said customers and employees from whom gold was seized but the gold is still lying with police custody. The Company has also filed an insurance claim for claiming the loss. During the year ended March 31, 2013, the Company has written off loan amount aggregating to ₹ 405.51 lakhs. As part of control measure, the Company has put a maker and checker control for all loans disbursed, automation of the disbursal process and independent verification of each loans. The Company has suitably implemented additional changes in the credit evaluation process to address this issue.

5. **Fiscal 2014:**

   There were no reservations or qualifications or adverse remarks of the Auditors.

## RISK FACTORS

*Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Placement Document before making any investment decision relating to our Equity Shares. The occurrence of any of the following events, or the occurrence of other risks that are not currently known or are now deemed immaterial, could cause our business, results of operations, cash flows, financial condition and prospects to suffer and could cause the market price of our Equity Shares to decline or fall significantly and you may lose all or part of your investment.*

*Prior to making an investment decision, prospective investors should carefully consider this section in conjunction with "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as all of the other information contained in this Placement Document, including the Financial Statements.*

*Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.*

**Risks Relating to our Business**

***1. Our financial performance is particularly affected by interest rate volatility. Any fluctuations in interest rates could adversely affect our borrowing costs, interest income and net interest margin, which could adversely affect our results of operations and cash flows.***

Our results of operations are substantially dependent upon the level of our interest income and net interest margin. We borrow funds on both fixed and floating rates (which are primarily term loans with banks that are linked to banks' base rate). Our lending to micro, small and medium enterprises ("**MSMEs**") is our main line of business. Currently, as per our asset liability management strategy, we generally fund our lending in our long-term MSME Loan portfolio, which have floating interest rates, with long-term borrowings from banks at floating interest rates. Our other loan products, which are usually short term and fixed interest rate loans in nature, are generally funded by the fixed interest rate borrowings that are short term as well as long term in nature. By substantially matching our long-term and short-term lending portfolio with our long-term and short-term borrowings, we try to mitigate the impact of interest rate volatility. However, there can no assurance that we will be able to match our lending portfolio with our borrowings in the future. If we are not able to match our lending portfolio with our borrowings in the future, we would be exposed to interest rate risks as a result of lending to customers at interest rates and in amounts and for periods that may differ from our funding sources. Any increase in the interest rates applicable to our liabilities without a corresponding increase in the interest rates applicable to our assets will result in a decline in our net interest margin and would have an adverse effect on our results of operations and cash flows.

Interest rates are sensitive to many factors beyond our control, including the monetary policies of the RBI, domestic and international economic and political conditions, inflation and other factors. In addition, interest-earning assets tend to re-price more quickly than interest-bearing liabilities. Our ability to pass on any increase in interest rates depends on our borrowers' willingness to pay higher rates and the competitive landscape in which we operate. We cannot assure you that that we will be able to adequately manage our interest rate risk in the future. An increase in interest rates may also adversely affect the rate of growth of the MSME sector or may affect their credit behavior, which may adversely impact our business.

Furthermore, in the event of rising interest rates, our borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans from us if they are able to switch to more competitively priced advances. Additionally, increases in the rates of interest charged on our floating rate loans would result in higher instalments due from borrowers, which, in turn, could result in higher rates of default and reduction in loan book as a result of borrowers' inability to service high interest rate payments.

***2. Our business requires substantial debt, and any disruption in debt funding sources would have a material adverse effect on our financial condition, results of operations and cash flows.***

As a NBFC-ND-SI, our business is dependent upon our timely access to, and the costs associated with, debt. Our debt funding requirements historically have been met from a combination of term loans from banks,

issuance of secured and unsecured non-convertible debentures and issue of commercial paper, as well as through assignment of our loan portfolio. As an NBFC, we are prohibited from borrowing from international markets. Thus, our business will continue to depend on our ability to access diversified borrowings from within India. Our ability to borrow on acceptable terms and at competitive rates continues to depend on various factors including, but not limited to our credit ratings, the regulatory environment, liquidity in the markets, policy initiatives in India, the perception of investors and lenders of demand for debt of NBFCs, and our current and future results of operations and financial condition. If we are unable to borrow funds in the amounts we require and on competitive terms, it would have an adverse effect on our financial condition, results of operations and cash flows.

***3. As part of our business strategy, we assign a portion of our loan assets to banks and other institutions. Any changes in the assignment markets or statutory/regulatory requirements or decisions of courts could adversely affect our ability to enter into such transactions, which could have a material adverse effect on our financial condition, results of operations and cash flows.***

As part of our means of raising and managing our funds, we assign a portion of the receivables from our loan portfolio to banks and other institutions. Any change in statutory or regulatory requirements in relation to assignments of loans by financial institutions, including the requirements prescribed by RBI, or decisions of courts in India in connection with such transactions could adversely affect our ability to enter into such transactions, which could have a material adverse effect on our financial condition, results of operations and cash flows.

***4. If we are unable to control the level of NPAs in our portfolio effectively or if we are unable to improve our provisioning coverage as a percentage of gross NPA, our financial condition and results of operations may be adversely affected.***

As our loan portfolio matures, we may experience greater defaults in principal and interest repayments. As of March 31, 2012, 2013 and 2014 and December 31, 2014, our gross NPAs were 0.08%, 0.11%, 0.44% and 0.63% of our gross advances, respectively, and our net NPAs were 0.00%, 0.01%, 0.08% and 0.02% of our net advances, respectively (calculated in accordance with the applicable RBI's Directions). We make provisions for NPAs in excess of the RBI extant regulations. Even though we have in place the necessary systems and credit monitoring processes to maintain good asset quality in our loan book, even if economic conditions continue to remain stable, we expect our gross NPAs and net NPA to continue to increase in the next few years because of the ageing and maturity of the loan book. Various factors that are beyond our control, such as macro-economic factors (including a rise in unemployment, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates) regulatory hurdles and global competition as well as customer specific factors such as willful default and mismanagement of a customer's operations, may cause a further increase in the level of NPAs and have an adverse impact on the quality of our loan portfolio.

The RBI regulates some aspects of the recovery of non-performing loans, such as the use of recovery agents. Any limitation on our ability to recover, control and reduce non-performing loans as a result of these guidelines or otherwise may affect our collections and ability to foreclose on existing NPAs.

The RBI's Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 prescribe the provisions required in respect of our outstanding loan portfolio. For details, see "Regulation and Policies". In the event the overall credit quality of our loans deteriorates, the current level of our provisioning may be inadequate to cover the increase in our NPAs. As of March 31, 2014, our provision coverage ratio, which is composed of provisions divided by gross NPAs ("**Provision Coverage Ratio**") as a percentage of gross NPAs was 81.97%. As of December 31, 2014, our Provision Coverage Ratio, as a percentage of gross NPAs was 97.14%. However, there can be no assurance that there will be no deterioration in the provisioning coverage as a percentage of gross NPAs or otherwise or that the percentage of NPAs that we will be able to recover will be similar to our past NPA recovery experience.

If we are not able to control the level of our NPAs, the overall quality of our loan portfolio may deteriorate, which may have a material adverse effect on our financial condition and results of operations.

***5. A revised regulatory framework for NBFCs will result in an increase in NPAs and an increase in standard asset provisions for the financial year 2016 onwards, which could have a material adverse effect on our***

***financial condition, results of operations and cash flows.***

At present, the RBI requires NBFCs to classify an asset as a NPA when it has remained overdue for a period of six months or more. The RBI through a notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', has announced that the asset classification norms for NBFCs-ND-SI's (such as our Company) are to be bought in line with that of banks in a phased manner, as follows: assets will become NPAs if they become overdue: (a) for five months for the financial year 2016; (b) for four months for the financial year 2017; and (c) for three months for the financial year 2018. These new norms will result in an increase in our NPAs for the financial year 2016 onwards, which could have a material adverse effect on our financial condition, results of operations and cash flows.

At present, the RBI requires NBFCs to make a provision for standard assets of 0.25% of the outstanding standard assets. The RBI through a notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', has announced that the provisioning requirement for standard assets will be increased in a phased manner, as follows: 0.30% by March 31, 2016; 0.35% by March 31, 2017; and 0.40% by the end of March 2018. Our Company has chosen early phased compliance with this RBI notification requiring increased provisioning for standard assets, and has made provision for standard assets of 0.30% from December 2014. For further details on the above, see "Regulations and Policies".

***6. We are dependent on our loans to the MSME segment for a substantial part of our business and any adverse developments in this segment would adversely affect our financial condition and results of operations and cash flows.***

As of December 31, 2014, our retail loans AUM was ₹ 98,428.44 million, representing 84.15% of our total AUM. Our MSME Loans constitute the majority of our retail loans. Our business is therefore highly dependent on various factors that impact the MSME segment, such as changes in Indian regulations, domestic economic and political conditions, inflation, natural disasters and calamities. Such factors may result in a decline in the demand for finance from MSMEs and may adversely impact the ability of MSMEs to perform their obligations to us under existing financing agreements if their businesses suffer, which may adversely affect our financial condition and results of operations.

***7. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to borrow on a competitive basis, which may adversely affect our business, financial condition, results of operations and cash flows.***

Our debt is rated by various agencies. Our long-term debt instruments, namely secured redeemable non-convertible debentures, subordinated non-convertible debentures and perpetual non-convertible debentures, have been rated by Credit Analysis & Research Limited ("**CARE**") as "CARE AA+", "CARE AA+" and "CARE AA", respectively. Brickwork Ratings India Private Limited has also rated each of the abovementioned long-term debt instruments as "BWR AA+", "BWR AA+" and "BWR AA", respectively. Instruments with these ratings are considered to have a high degree of safety in relation to the timely servicing of financial obligations and carry very low credit risk. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to borrow on a competitive basis, which may adversely affect our business, financial condition, results of operations and cash flows.

***8. The value of collateral may decrease or we may experience delays in enforcing the sale of collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral security, exposing us to a potential loss.***

As of December 31, 2014, 88.96% of our loans were secured by assets. We use a technology-based risk management system and follow strict internal risk management guidelines on portfolio monitoring, which include periodic assessment of loan to security value on the basis of conservative market price levels, limits on the amount of margin, ageing analysis and pre-determined margin call thresholds. However, we may not be able to realize the full value of the collateral as a result of, among other factors:

- delays in bankruptcy and foreclosure proceedings;

- defects or deficiencies in the perfection of collateral (including due to inability to obtain approvals that may be required from third parties);
- fraud by borrowers;
- decreases in value of the collateral, which may be particularly for most of the collateral, except for real property;
- errors in assessing the value of the collateral;
- an illiquid market for the sale of the collateral; and
- current legislative provisions or changes thereto and past or future judicial pronouncements.

As a result of the foregoing factors, we may not be able to realise the full value of collateral, which could have an adverse effect on our financial condition, results of operations and cash flows.

***9. If we are unable to comply with the capital adequacy requirements stipulated by the RBI, our business, results of operations and cash flows may be materially and adversely affected.***

We are subject to regulations relating to the capital adequacy of NBFCs, which determine the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio, or CRAR. Under the RBI's Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time, the Company is required to have a regulatory minimum CRAR of 15.0%, with a minimum Tier 1 capital of 7.5%. As at December 31, 2014, the Company's CRAR was 20.22% on a standalone basis, of which Tier 1 capital was 15.16%

The RBI through a notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', has announced that the minimum Tier 1 capital requirements for all NBFC-NDs that have an asset size of ₹ 5,000 million and above will be increased in a phased manner as follows: 8.5% by March 31, 2016 and 10% by March 31, 2017.

Although the Company has been maintaining a CRAR above the regulatory minimum requirement, the Company cannot assure you that it will be able to maintain its CRAR within the regulatory requirements. Further, if the Company continues to grow its loan portfolio, it will be required to raise additional Tier I and Tier 2 capital in order to continue to meet applicable capital adequacy ratios with respect to its business. There can be no assurance that the Company will be able to raise adequate additional capital in the future on terms favorable to it, or at all. This could result in non-compliance with applicable capital adequacy ratios, which could have a material adverse effect on our business, results of operations and cash flows.

***10. Prepayment by our customers may result into portfolio attrition, which may have a material adverse effect on our financial condition, results of operations and cash flows.***

Customers from time to time approach us for prepayment of their loan facilities, either to reduce their debt burden, or to avail a similar loan from our competitors at more attractive terms. Particularly in our MSME loan business where loans are provided against property with tenors that may extend up to 15 years, such prepayments are relatively more likely. The incidence of customers attempting to switch their loans to competitors is based on market conditions, primarily the lending rates currently prevailing in the market. We take several steps to mitigate the prepayment risk, which include offering the customers additional top up loans proactively and improving customer relations through better engagement. However, prepayments by our customers can reduce the size of our business assets and can adversely impact our interest income. Any decrease of our interest income may have a material adverse effect on our financial condition, results of operations and cash flows.

***11. We are involved in various legal proceedings, which if determined against us, could have an adverse impact on our results of operations.***

We are involved in various civil and tax proceedings. Most of these proceedings are incidental to our business

and NBFC operations and have generally arisen in relation to recovery of dues from our borrowers, claims and consumer complaints from our customers. For details of civil and tax proceedings against us, see "Legal Proceedings".

We cannot assure you that these legal proceedings will be decided in our favour. Such legal proceedings could divert management time and attention, and consume financial resources in their defence or prosecution. In addition, should any developments arise, such as changes in Indian law or rulings against us by the regulators, courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and current liabilities. If we fail to successfully defend our claims or if our provisions prove to be inadequate, our results of operations and cash flows could be adversely affected.

***12. We do not ensure that loans are used for the purposes stated on the loan application form. In the event customers use loans for different purposes than those stated on the loan application form, it may result in customers being unable to repay the loans to us, which may have a material adverse effect on our financial condition, results of operations and cash flows.***

We do not have any direct control over how the customer actually puts the loan proceeds to use. Although, our credit appraisal system conducts a due diligence during its underwriting process and exercises caution in its lending, any usage of loan proceeds for purposes outside those stated on the loan application form, may negatively affect the repayment capacity of the borrowers to repay the loan. Any failure to repay such loan may have an adverse effect on our financial condition, results of operations and cash flows.

***13. We are subject to annual financial inspections by the RBI. Non-compliance with the RBI's observations made during the annual financial inspections could adversely affect our reputation, business, financial condition, results of operations and cash flows.***

The RBI conducts an annual financial inspection of our books of accounts and other records relating to our financial position every year under Section 45N of the RBI Act. Inspection by the RBI is a regular exercise and is carried out periodically by the RBI for all banks and financial institutions.

In the past, the RBI had made certain observations during the annual financial inspections in connection with our operations. We have taken the necessary actions to comply with such observations.

If we fail to comply with the RBI's observations made during the annual financial inspections, it could adversely affect our reputation, business, financial condition, results of operations and cash flows.

***14. Internal or external fraud or misconduct by our employees could adversely affect our reputation and our results of operations.***

In the past, we have experienced acts of fraud committed by our employees and customers. For instance, in the financial year 2013, a customer availed loans totaling ₹ 40.55 million from us on the basis of fraudulent documents and fake gold in collusion with our employees. We initiated legal proceedings for recovery of the said amount against the said customers and employees from whom the gold was seized but the gold is still lying in police custody. We also filed an insurance claim for the loss. During the financial year 2013, we wrote-off loan amounts aggregating to ₹ 40.55 million in connection with the fraud. In addition, in the financial year 2012 we were subject to a fraud committed by a customer who availed loans aggregating to ₹ 4.50 million from us on the basis of fraudulent documents. We initiated arbitration proceedings against the said customer and have fully provided an amount of ₹ 4.45 million net of recovery of ₹ 0.27 million. For more details on these frauds, see "Legal Proceedings". As a result of these two frauds, the auditor qualified its Companies (Auditors' Report) Order, 2003 report for the financial years 2012 and 2013. For further details, see the respective auditor's reports in "Financial Statements".

Misconduct by our employees could also include binding us to transactions that exceed authorised limits or present unacceptable risks or hiding unauthorised or unlawful activities from us.

Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill.

Employee misconduct could also involve the improper use or disclosure of confidential information, which

could result in regulatory sanctions and serious reputational or financial harm.

It is not always possible to deter fraud or misconduct by employees and the precautions we take and the systems we have put in place to prevent and deter such activities may not be effective in all cases. Any instances of such fraud or misconduct could adversely affect our reputation, business, results of operations and financial condition.

***15. We depend on the accuracy and completeness of information about customers and counterparties and any misrepresentation, errors or incompleteness of such information could cause our business to suffer.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of their independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer.

Moreover, the availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending.

Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our non-performing and restructured assets, which could materially and adversely affect our business, financial condition, results of operations and cash flows.

***16. If we do not comply with covenants and conditions under our borrowing arrangements or obtain necessary consents required thereunder it could lead to termination of our credit facilities, accelerated repayment of all amounts due thereunder, enforcement of any security provided and the trigger of cross default provisions. Any of the above actions taken by the relevant lender could have a material adverse effect on our credit ratings, financial condition, results of operations and cash flows.***

Our financing agreements include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions or to inform the lenders that we have carried our such activities and entered into such transactions. Specifically, under some of our financing agreements, we require consents from the relevant lenders for, among others, the following matters: entering into any scheme of merger; making any change in our ownership or our control or our constitution; making amendments in our Memorandum and Articles of Association; creating any further security interest on the assets upon which the existing lenders have a prior charge; and raising funds by way of any fresh capital issue. Some of our financing agreements contain financial covenants. These covenants vary depending on the requirements of the financial institution extending the loan and the conditions negotiated under each financing document. Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time.

A failure to observe the covenants under our financing arrangements or to obtain necessary consents required there under may lead to the termination of our credit facilities, acceleration of all amounts due under such facilities and the enforcement of any security provided. Any acceleration of amounts due under such facilities may also trigger cross default provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. Further, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing. Any of these circumstances could adversely affect our business, credit ratings, financial condition, results of operations and cash flows.

***17. If we are unable to retain the services of our senior management team or replace them with equally experienced employees, it would have a material adverse effect on our business.***

There is significant competition for senior management in the financial services industry due to competition from existing Indian and foreign banks and NBFCs, as well as new banks and NBFCs entering the market. If

we are unable to retain the services of our senior management team or replace them with equally experienced employees, it would have a material adverse effect on our business.

***18. The restrictions imposed on NBFCs by the RBI through a Master Circular – Bank Finance to Non-Banking Financial Companies dated July 1, 2014 (the "Master Circular") may restrict our ability to obtain bank financing for specific activities.***

Pursuant to the Master Circular, the RBI has imposed certain restrictions on banks providing financing to NBFCs. Under the Master Circular, certain NBFC activities are ineligible for financing by bank credit, such as certain types of discounting and rediscounting of bills, loans and advances by NBFCs to their subsidiaries and group companies, or lending by NBFCs to individuals for subscribing to public offerings and purchasing shares from the secondary market, unsecured loans, inter-corporate deposits provided by the NBFCs and subscription to shares or debentures by NBFCs. In addition, the Master Circular prohibits: banks from granting bridge loans of any nature, provide interim finance against capital or debenture issues and/or in the form of loans of a temporary nature pending the raising of long term funds from the market by way of capital, deposits, or other means to any category of NBFCs; banks accepting shares and debentures as collateral for secured loans granted to NBFCs; and banks from executing guarantees covering inter-company deposits or loans that guarantee refund of deposits or loans accepted by NBFCs. The Master Circular also requires that guarantees are not be issued by banks for the purpose of indirectly enabling the placement of deposits with NBFCs. These restrictions may adversely affect our access to or the availability of bank financing, which may in turn adversely affect our financial condition, results of operations and cash flows.

***19. We face increasing competition in our business, which may result in declining margins if we are unable to compete effectively.***

Our main competitors are established Indian and foreign commercial banks, NBFCs and the private unorganized and informal financiers who principally operate in the local market. Liberalisation of the Indian financial services sector could also lead to a greater presence or new entries of Indian and foreign banks, NBFCs and other entities operating in the financial services sector officering a wider range of products and services, which could adversely affect our competitive environment.

Over the last few years, the retail finance sector in India has seen a lot of interest from new entrants. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive retail and MSME Loans business. Increasing competition may also result in slower growth and a reduction in our net interest margin, and consequently may have an adverse effect on our business, results of operations and financial condition

***20. Weaknesses, disruption or failures in IT systems could adversely impact our business.***

We are reliant on IT systems in connection with financial controls, risk management and transaction processing. The increasing size of our operations, which use automated control and recording systems for record keeping, exposes us to the risk of errors in control and record keeping. Given our volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our dependence upon automated IT systems to record and process transactions may further increase the risk that technical system flaws will result in losses that are difficult to detect. As a result, we face the risk that the design of our controls and procedures may prove inadequate thereby causing delays in detection or errors in information.

We may also be subject to disruptions of our IT systems, arising from events that are wholly or partially beyond our control (including, for example, damage or incapacitation by human error, natural disasters, electrical or telecommunication outages, sabotage, computer viruses, hacking, cyber-attacks or similar events, or loss of support services from third parties such as internet backbone providers). So far, we have not experienced widespread disruptions of service to our customers, but there can be no assurance that we will not encounter disruptions in the future due to substantially increased number of customers and transactions, or for other reasons. In the event we experience systems interruptions, errors or downtime, this may give rise to deterioration in customer service and to loss or liability to us and may materially and adversely affect our business, financial condition, results of operations and cash flows.

Further, we are dependent on various external vendors for certain elements of our operations, including

implementing IT infrastructure and hardware, branch roll-outs, networking, managing our data centre and back-up support for disaster recovery and are exposed to the risk that external vendors or service providers may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees) and the risk that their (or their vendors') business continuity and data security systems prove to be inadequate. Failure to perform any of these functions by our external vendors or service providers could materially and adversely affect our business, results of operations and cash flows.

***21. If we fail to identify, monitor and manage risks and effectively implement our risk management policies, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

We have devoted resources to develop our risk management policies and procedures and aim to continue to do so in the future. For details, see "Business". Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our risk management systems are not automated and are subject to human error. Some of our methods of managing risks are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures.

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Further, some of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

Our investment and interest rate risk are dependent upon our ability to properly identify, and mark-to-market changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of changes in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses.

To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. See also the Risk Factor entitled "If we are not able to control the level of NPAs in our portfolio effectively or if we are unable to improve our provisioning coverage as a percentage of gross NPA, our financial condition and results of operations may be adversely affected" above.

If we fail to effectively implement our risk management policies, it could materially and adversely affect our business, financial condition, results of operations and cash flows.

***22. If any new products we launch are unsuccessful, it could harm our reputation and it could adversely affect our results of operations.***

We may incur substantial costs to expand our range of products and cannot guarantee that new products will be successful once they are offered. In the event that our new products are commercial failures, we may lose any or all of the investments that we have made in promoting them, and our reputation, results of operations and cash flows could be adversely affected.

***23. One of our Subsidiaries, Capital First Commodities Limited, is exposed to litigation proceedings.***

Capital First Commodities Limited ("**CFCL**"), one of the Company's subsidiaries, was engaged in the business of, among other things, commodities broking and was a broker-member of the National Spot Exchange of India Limited ("**NSEL**").

On January 7, 2014, Modern India Limited and others have filed a civil suit before the Bombay High Court, against Financial Technologies (India) Limited, the National Spot Exchange Limited and others including

CFCL alleging inter alia that NSEL acting through its directors and senior officers had participated in acts of commission, deliberate omission or negligence and perpetrated a fraud by willfully and deliberately listing commodities for trade on its exchange platform without ensuring adequate security or collateral for such trades being executed resulting in a loss in excess of ₹ 300 million to the Plaintiffs. For details, see "Legal Proceedings".

We cannot assure you that this legal proceeding will be decided in our favour. Such legal proceeding could divert management time and attention, and consume financial resources in their defence or prosecution. In addition, should any developments arise, such as changes in Indian law or rulings against us by the regulators, courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and current liabilities. If we fail to successfully defend our claims or if our provisions prove to be inadequate, our results of operations could be adversely affected.

Further, CFCL has also received five notices from its customers alleging, among other things, wilful misrepresentation of facts by CFCL in connection with the agreements entered into between CFCL and its customers for carrying out their trades on NSEL and demanding the repayment of a total of ₹ 33.60 million. CFCL has replied to all five notices denying the allegations contained therein.

***24. We lease all of our business premises and any failure to renew such leases or their renewal on terms unfavourable to us may affect our business, results of operations and cash flows.***

As of December 31, 2014, we leased all our business premises. If we are unable to renew these lease agreements on commercially reasonable terms, we may be required to relocate from those premises. If we relocate operations, this may cause a disruption in our operations or result in increased costs, or both, which may adversely affect our business, results of operations and cash flows.

***25. Our results of operations could be adversely affected by any disputes with our employees or disputes between our outsourced personnel and their respective employers.***

Our employees are not members of any labour union. Our outsourced personnel are not members of any labour union. While we believe that we maintain good relationships with our employees and that the third party service providers maintain good relationships with their employees who work for us, there can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our employees or outsourced personnel, which may adversely affect our business, results of operations and cash flows.

***26. If we fail to successfully enforce our intellectual property rights, our competitive position and operating results could be adversely affected.***

We have applied for the registration of our logo under the Trade Marks Act, 1999, as amended. Unauthorized use of our logo by third parties could adversely affect our reputation. Intellectual property rights and our ability to enforce them may be unavailable or limited in some circumstances. If we fail to successfully enforce our intellectual property rights, our competitive position and operating results could be adversely affected.

***27. Materialisation of contingent liabilities could adversely affect our financial condition, results of operations and cash flows.***

As of December 31, 2014, we had contingent liabilities as per AS 29 on "Provisions, Contingent Liabilities and Contingent Assets" not provided for amounting to ₹ 142.16 million, details of which are set forth in the table below:

| Particulars | Amount (₹ in millions) As of December 31, 2014 |
|---|---|
| Corporate guarantees given by us to banks | 90.19 |
| Income tax matters under dispute | 51.97 |
| **Total** | **142.16** |

The contingent liabilities have arisen in the normal course of our business and are subject to the prudential norms as prescribed by the RBI. If any of these contingent liabilities materialize, our financial condition, results of operations and cash flows could be adversely affected.

***28. The Promoters are investment entities and may invest in other companies that engage in similar or competing businesses.***

The Promoters are investment entities and they and their affiliates may be currently invested in or may in the future invest in other companies engaged in similar or competing businesses, thereby giving rise to a conflict of interest. We cannot assure you that they will act in our best interest. Our Company does not have any agreements or understandings in place which preclude the Promoters from investing in companies which may be, directly or indirectly, engaged in similar or competing businesses.

***29. Our Promoters have the ability to control or influence the outcome of matters submitted to shareholders for approval, and their interests may differ from those of other shareholders.***

As of December 31, 2014, the Promoters owned 71.56% of the outstanding Equity Shares. As long as our Promoters continue to hold a significant ownership stake in our Company, our Promoters have the ability to control or influence the outcome of any matter submitted to shareholders for approval, including matters relating to sale of all or part of our business, mergers, or acquisitions or disposal of assets; the distribution of dividends; appointment or removal of our directors or officers; and our capital structure or financing. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, even if it is in best interest of other shareholders. The Promoters may have interests that are adverse to the interests of our other shareholders and may take positions with which our other shareholders do not agree.

***30. One of our Promoters, Cloverdell Investment Ltd, has certain rights including the right to nominate directors and right to provide affirmative consent for certain matters, and their interests may differ from those of other shareholders.***

Pursuant to the share subscription agreement dated June 4, 2012 between our Company and Cloverdell Investment Ltd, our Company has granted certain rights to Cloverdell Investment Ltd as long as Cloverdell Investment Ltd holds 5% or more of the issued and paid-up Equity Shares. These rights include the right to nominate up to two nominee directors on our Board and right to provide the prior affirmative written consent on certain matters, which include, but are not limited to, mergers, acquisitions, restructuring, setting up a subsidiary or joint venture, equity investments, sale or disposal of material assets or equity interest, declaration of dividends, amendments to the articles or memorandum of association of our Company, entering material agreements or contracts, and commencement of a new line of business. Cloverdell Investment Ltd may have interests that are adverse to the interests of our other shareholders and may take positions with which our other shareholders do not agree.

***31. Our Promoters are investment entities and are free to sell their Equity Shares at any time. Sales of Equity Shares by our Promoters may adversely affect the trading price of the Equity Shares.***

Our Company is managed by a team of professionals and our Promoters are investment entities, which are not involved in the day to day management of the Company. As investment entities, our Promoters may sell all or part of their Equity Shares at any time and their investment horizon could differ from those of other shareholders of the Company. Sales of Equity Shares by our Promoters may adversely affect the trading price of the Equity Shares.

***32. We may not be able to renew or maintain our statutory and regulatory permits and approvals required to operate our business.***

We require certain statutory and regulatory permits and approvals to operate our business. We have a licence from the RBI, which requires us to comply with certain terms and conditions for us to continue our NBFC operations. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this licence or may place stringent restrictions on our operations. This may result in the interruption of

all or some of our operations.

Further, under certain of our contractual arrangements, we are required to hold all necessary and applicable approvals and licences from authorities such as the RBI and the Insurance Regulatory and Development Authority in India ("**IRDA**") and the National Housing Bank.

Failure by us to renew, maintain or obtain the required permits or approvals, including those set out above, may have a material adverse effect on our business, results of operations and cash flows.

***33. Our insurance coverage could prove inadequate to satisfy potential claims. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our financial condition, results of operations and cash flows.***

We have taken out insurance within a range of coverage consistent with industry practice in India to cover certain risks associated with our business. We cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. Even if such losses are insured, we may be required to pay a significant deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss.

In addition, our insurance policies are subject to annual review, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our financial condition, results of operations and cash flows.

***34. Our ability to pay dividends in the future will depend upon our earnings, financial condition, cash flows and capital requirements.***

Dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. Our ability to pay dividends in the future will depend on our earnings, financial condition, cash flows and capital requirements. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time and may be subject to other requirements prescribed by the RBI. There can be no assurance that we will be able to pay dividends in the future.

***35. Various state government laws regulating money lending transactions may adversely affect our business, results of operations and cash flows.***

A number of states in India have enacted laws to regulate money lending transactions. These laws establish a maximum rate of interest that can be charged. There is ambiguity on whether or not NBFCs are required to comply with the provisions of these state money lending laws. There are severe civil and criminal penalties for non-compliance with the relevant money lending statutes. In the event that the government of any state in India requires us to comply with the provisions of their respective state money lending laws, or imposes any penalty against us for prior non-compliance, our business, results of operations and cash flows may be adversely affected.

***36. Statistical and industry data in this Placement Document may be incomplete or unreliable.***

We have not independently verified data obtained from industry publications and other sources referred to in this Placement Document and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the financial services industry are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable. For more details, see "Industry Overview".

**Risks Relating to India**

***37. A slowdown in economic growth in India could cause our business to suffer.***

Our results of operations are dependent on, and have been adversely affected by, economic and market conditions in India. The Indian market and the Indian economy are influenced by economic and market

conditions in other countries, including, but not limited to, the conditions in the United States, in Europe and in certain emerging economies in Asia. Financial turmoil in Asia and elsewhere in the world in recent years has affected the Indian economy. Any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial services sector and its business, which could adversely affect our business, results of operations and cash flows.

***38. Increases in the prices of crude oil could adversely affect the Indian economy, which could adversely affect our business, financial condition, results of operations and cash flows.***

India imports a substantial portion of its crude oil requirement. While oil prices have declined from their peak levels, any sharp increase in oil prices and the pass-through of such increases to Indian consumers could have a material negative impact on the Indian economy and on the Indian financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit, which could adversely affect our business, financial condition, results of operations and cash flows.

***39. A significant change in the Government's economic liberalisation and deregulation policies could disrupt our business.***

We are incorporated in India and derive all of our revenues from India. Consequently, our performance and liquidity of the Equity Shares is affected by changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Our business and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, changes in Government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India.

In recent years, India has been following a course of economic liberalisation and our business could be significantly influenced by economic policies followed by the Government. Further, our businesses are also impacted by regulation and conditions in the various states in India where we operate. On May 17, 2014, the Indian Election Commission released the results of the 2014 General Election and the Bharatiya Janata Party holds a majority of seats in the Lok Sabha, Parliament's lower house. There can be no assurance as to the policies the new government will follow or that it will continue the policies of the outgoing government.

The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well. A significant change in India's economic liberalisation and deregulation policies, in particular, those relating to our business, could disrupt business and economic conditions in India generally and our business in particular.

***40. If acts of terrorism and other similar threats to security, communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, and our business, results of operations and cash flows.***

India has experienced communal disturbances, terrorist attacks and riots in the past. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income. The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including those between India and Pakistan. Hostilities and tensions may occur in the future and on a wider scale. Military activity or terrorist attacks in India, as well as other acts of violence or war could influence the Indian economy by creating a perception that investments in India involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have an adverse effect on the market for securities of Indian companies, including our Equity Shares.

***41. India's trade deficits could have a negative effect on our business.***

India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. For the calendar year 2014, the merchandise trade deficit was U.S.$ 137.45 compared to U.S.$162.6 billion for the calendar year 2013. This large merchandise trade deficit neutralises the surpluses of U.S.$115.2 billion for the calendar year 2014 in India's invisibles,

which are comprised of international trade in services, income from financial assets, labour and property and cross border transfers of mainly workers' remittances in the current account, resulting in a current account deficit. If India's trade deficits increase or become unmanageable, the Indian economy, and therefore our business, results of operations and cash flows could be adversely affected.

***42. Natural disasters and other calamities could have a negative impact on the Indian economy and could cause our business to suffer and the trading price of our Equity Shares to decline.***

India has experienced natural disasters like earthquakes, floods, tsunamis and drought in recent years. The extent and severity of these natural disasters determine their impact on the Indian economy.

Health epidemics could also disrupt our business, including the most highly pathogenic strains of avian and swine influenza, H5N1 and H1N1. Certain countries in Southeast Asia have reported cases of bird to human transmission of avian and swine influenza resulting in numerous human deaths. Moreover, certain areas of India have experienced outbreaks of H5N1 among livestock. The World Health Organization and other agencies have issued warnings on a potential avian or swine influenza pandemic if there is sustained human to human transmission. Future outbreaks of avian or swine influenza or a similar contagious disease could adversely affect the Indian economy and economic activity in the region. As a result, any present or future outbreak of avian or swine influenza or other contagious disease could adversely affect our business.

***43. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us. A rapid decrease in reserves would also create risk of higher interest rates and a consequent slowdown in growth.***

As of March 6, 2015, India's foreign exchange reserves were U.S.$339.79 billion, according to the RBI. Flows to foreign exchange reserves can be volatile, and past declines may have adversely affected the valuation of the Rupee. There can be no assurance that India's foreign exchange reserves will not decrease in the future. Further, a decline in foreign exchange reserves, as well as other factors, could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates, which could adversely affect our business, financial condition, results of operations and cash flows.

***44. Any downgrade of credit ratings of India or Indian companies may adversely affect our ability to raise debt financing.***

India's sovereign foreign currency long-term debt is currently rated (a) "BBB-" (negative) by Standard & Poor's, (b) "BBB-" (stable) by Fitch, and (c) "Baa3" (stable) by Moody's. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. In the recent past, India's credit ratings have been downgraded due to structural challenges such as corruption, the absence or inadequacy of domestic reforms, and slow economic growth combined with elevated inflation. No assurance can be given that Standard & Poor's, Fitch, Moody's or any other statistical rating organization will not downgrade the credit ratings of India. Any such downgrade would result in India's sovereign debt rating being rated speculative grade, which could adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business, financial condition, results of operations and cash flows.

***45. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition, cash flows and results of operations.***

Our financial statements, including the financial statements included in this Placement Document, were prepared in accordance with Indian GAAP. No attempt has been made to reconcile any of the information given in this Placement Document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. Any reliance

by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. In making an investment decision, investors must rely upon their own examination of us, the terms of this Issue and the financial information contained in this Placement Document.

***46. Certain companies in India, including us, may be required to prepare financial statements under IFRS or a variation thereof, IND-AS. We may be adversely affected by the transition to IFRS or IND-AS in India.***

Ministry of Corporate Affairs, Government of India (the "**MCA**") on February 16, 2015 notified the Companies (Indian Accounting Standards) Rules, 2005, (the "**Rules**") laying down the road map for the implementation of IND-AS in a phased manner. However, the MCA vide the Rules has granted an exemption to non-banking finance companies, amongst others, from applying IND-AS while preparing their respective financial statements. In the future, we may be required to prepare annual and interim financial statements under IND-AS, if the aforesaid exemption is no longer available.

We have not determined with any degree of certainty the impact that such adoption IND-AS, if the aforesaid exemption is lifted, will have on our financial reporting. The new accounting standards may change, among other things, our methodology for estimating allowances for probable loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of probable loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realisable from our advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognising allowances for probable loan losses in the future which may be higher or lower than under current Indian GAAP. Therefore, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under Indian GAAP. In our transition to IND-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of IND-AS, if mandated by law, will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IND-AS could adversely affect our financial condition, results of operations and cash flows.

***47. Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative impact on our business.***

As an Indian NBFC, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is referred to as "systemic risk," may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Our transactions with these financial institutions expose us to credit risk in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. As the Indian financial system operates within an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business, financial condition, results of operations and cash flows.

***48. Companies operating in India are subject to a variety of central and state government taxes and surcharges.***

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty, tax on dividends and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. The central or state government may in the future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business, cash flows and results of operations.

***49. The proposed new taxation system in India could adversely affect our business and the trading price of the Equity Shares.***

The Government had proposed three major reforms in Indian tax laws, namely the goods and services tax, the direct taxes code and provisions relating to the General Anti-Avoidance Rules ("**GAAR**").

The goods and services tax would replace the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, surcharge and excise currently being collected by the central and state governments. In the Union Budget of India for the financial year 2016 (the "**Budget**") it was reaffirmed that the goods and services tax will be implemented from April 1, 2016.

The direct taxes code (the "**Code**") aimed to reduce distortions in tax structure, introduce moderate levels of taxation, expand the tax base and facilitate voluntary compliance. It also aimed to provide greater tax clarity and stability to investors who invest in Indian projects and companies as well as clarify the taxation provisions for international transactions. However, it was announced in the Budget that there was no merit in continuing with the same as a most of the provisions of the Code had been already included under the IT Act and that the jurisprudence under the same is sufficiently evolved.

As regards GAAR, the provisions have been introduced in the Finance Act, 2012 and were scheduled to come into effect from April 1, 2015. However, it was announced in the Budget, that the applicability of GAAR has been deferred by a period of two years and consequently, will apply prospectively to investments made on or after April 1, 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (a) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (b) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (c) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (d) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty.

As the taxation system is intended to undergo significant overhaul, its consequent effects on the financial system cannot be determined at present and there can be no assurance that such effects would not adversely affect our business, results of operations and cash flows.

***50. The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.***

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notifications, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as the provisions related to issue of capital, disclosures, corporate governance norms, audit matters, and related party transactions. Further, the Companies Act, 2013 has also introduced additional requirements which do not have corresponding equivalents under the Companies Act, 1956, including the introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), and prohibitions on advances to directors. The Companies Act, 2013, also mandates that the directors' responsibility statement inter alia includes that the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively. We are also required to spend 2.0% of our average net profits during three immediately preceding financial years on corporate social responsibility activities. Further, the Companies Act, 2013 imposes greater monetary and other liability on us, Directors and officers in default, for any non-compliance. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

We may face challenges in anticipating the changes required by, interpreting and complying with such provisions due to limited jurisprudence on them. In the event, our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by

the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations). We may face difficulties in complying with any such overlapping requirements. Recently, the SEBI issued revised corporate governance guidelines which are effective from October 1, 2014, with a few provisions to be applicable from April 1, 2015. Pursuant to the revised guidelines, we will be required to, amongst other things, ensure that there is at least one woman director on our Board at all times establish a vigilance mechanism for directors and employees and reconstitute certain committees in accordance with the revised guidelines (which we have complied with). Further, we cannot currently determine the impact of provisions of the Companies Act, 2013 which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business, results of operations and cash flows.

On December 2, 2014, the Union Cabinet of India approved 14 amendments to the Companies Act, 2013 vide the Companies (Amendment) Bill, 2014, (the "**Bill**") to be tabled before the both the houses of the Indian Parliament (i.e. the Lok Sabha and the Rajya Sabha). Subsequently, the Lok Sabha passed the Bill on December 17, 2014. The Bill provides for, amongst other things, relaxation from special resolution for approval of related party transactions by non-related shareholders, auditor reporting of frauds, empowering the audit committee to give omnibus approvals for related party transactions on an annual basis and specific punishment for deposits accepted under the Companies Act, 2013. The Bill will require the approval of the Rajya Sabha, the President of India and publication in the Official Gazette before becoming law. We cannot assure you that the Bill will not have an adverse effect on our business, results of operations and financial condition.

Additionally, we may face challenges in interpreting and complying with such provisions due to limited jurisprudence on them. In the event, our interpretation of such provisions of the Bill differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps.

***51. Our ability to raise foreign capital may be constrained by Indian law, which may adversely affect our business, financial condition, cash flows and results of operations.***

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business, financial condition, cash flows and results of operations.

***52. Investors in the Equity Shares may not be able to enforce a judgment of a foreign court against us, our directors or executive officers.***

We are a limited liability company incorporated under the laws of India. All of our Directors and key managerial personnel are residents of India and all of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside India, or to enforce judgments obtained against such parties in courts outside of India.

Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. For details, see "Enforcement of Civil Liabilities". A party seeking to enforce a foreign judgment in India is required to obtain approval from RBI to execute such a judgment or to repatriate outside India any amount recovered. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

***53. A third party could be prevented from acquiring control of us because of anti-takeover provisions under Indian law.***

Indian law and regulations applicable to us may delay, deter or prevent a future takeover or change in control of us, even if a change in control would result in the purchase of your Equity Shares at a premium to the market price or would otherwise be beneficial to you. These provisions may discourage or prevent certain types of transactions involving actual or threatened change in control of us. Under the Takeover Code, an

acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of us. Consequently, even if a potential takeover of us would result in the purchase of our Equity Shares at a premium to their market price or would otherwise be beneficial to its stakeholders, it is possible that such a takeover would not be attempted or consummated because of Indian takeover regulations. For more information, see "The Securities Market of India".

***54. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

Our Articles, the instructions issued by the RBI and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, Directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a financial institution or corporate entity in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a financial institution or corporate entity in another jurisdiction.

**Risks Relating to the Issue**

***55. We cannot guarantee that our Equity Shares issued pursuant to the Issue will be listed on the Stock Exchanges in a timely manner, or at all.***

In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to this Issue will not be granted until after the Equity Shares have been issued and Allotted. Approval for listing and trading will require all relevant documents authorising the issuing of the Equity Shares to be submitted. There could be a failure or delay in obtaining these approvals from the Stock Exchanges, which in turn could delay the listing of our Equity Shares on the Stock Exchanges. Any failure or delay in obtaining these approvals would restrict an investor's ability to dispose of the Equity Shares.

***56. An investor will not be able to sell any of the Equity Shares subscribed in this Issue other than on a recognised Indian stock exchange for a period of 12 months from the date of the issue of the Equity Shares.***

The Equity Shares in this Issue are subject to restrictions on transfers. Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of Equity Shares in the Issue, QIBs subscribing to the Equity Shares in the Issue may only sell their Equity Shares on the Stock Exchanges and may not enter into any off market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of the Equity Shares. Further, allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirements. This may affect the liquidity of the Equity Shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

***57. After this Issue, the price of our Equity Shares may be volatile.***

The Issue Price will be determined by us in consultation with the Book Running Lead Managers, based on Bids received in compliance with Chapter VIII of the SEBI Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is completed.

The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian financial services industry and the perception in the market about investments in the financial services industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or

operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our Equity Shares.

There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which the Equity Shares will trade in the market subsequent to this Issue.

***58. Fluctuations in the exchange rate between the Rupee and other currencies could have an adverse effect on the value of our Equity Shares in those currencies, independent of our operating results.***

Our Equity Shares are quoted in Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will be paid in Rupees. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by investors. The exchange rate between the Rupee and other currencies (such as, the U.S. dollar, the Euro, the pound sterling and the Singapore dollar) has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of our Equity Shares and returns from our Equity Shares in foreign currency terms, independent of our operating results.

***59. Any future issuance of the Equity Shares by us or sales of the Equity Shares by any of our significant shareholders may adversely affect the trading price of the Equity Shares.***

Under the Companies Act, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing percentage ownership before the issuance of any new equity shares, unless their pre-emptive rights have been waived by adoption of a special resolution by holders of three-quarters of the shares who have voted on the resolution.

Except for the customary lock-up on the Company's ability to issue equity or equity linked securities discussed in "Placement", there is no restriction on our ability to issue Equity Shares or our major shareholders' ability to dispose of their Equity Shares, and we cannot assure you that we will not issue Equity Shares or that any major shareholder will not dispose of, encumber, or pledge, its Equity Shares. Future issuances of Equity Shares may dilute your shareholding and may adversely affect the trading price of our Equity Shares. Such securities may also be issued at prices below the then current trading price of our Equity Shares. Sales of Equity Shares by our major shareholders may also adversely affect the trading price of our Equity Shares.

We have also issued employee stock options to certain of our employees. To the extent such outstanding employee stock options are exercised, there will be further dilution to investors in this Issue, which may also adversely affect the trading price of the Equity Shares. For details, see "Capitalization".

***60. Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.***

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

***61. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.***

Under the foreign exchange regulations currently in force in India, transfers of the Equity Shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of the Equity Shares is not in compliance with such pricing guidelines or reporting requirements and does not fall under any of the specified exceptions, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of the Equity Shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or a tax clearance certificate from the income tax authority. We cannot assure you that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

These foreign investment restrictions may adversely affect the liquidity and free transferability of the Equity Shares and could result in an adverse effect on the price of the Equity Shares.

***62. Conditions in the Stock Exchanges may affect the price and liquidity of the Equity Shares.***

Indian stock exchanges are smaller than stock markets in developed economies and have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary closure of the stock exchanges to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have from time to time restricted securities from trading, limited price movements and imposed margin requirements. For more information on the securities market of India, see "The Securities Market of India".

***63. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell the Equity Shares at a particular point in time.***

We are subject to a daily "circuit breaker" imposed by the Stock Exchanges, which does not allow transactions beyond certain specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. The maximum movement allowed in the price of the Equity Shares before the circuit breaker is triggered is determined by the Stock Exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges will inform us of the triggering point of the circuit breaker in effect from time to time, but it may change without our knowledge. This circuit break will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance that shareholders will be able to sell the Equity Shares at their preferred price or at all at any particular point in time.

***64. Applicants to the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date.***

In terms of the SEBI Regulations, applicants in the Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date. The Allotment of the Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately seven days and up to 10 days from the Bid/Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of Allotment of Equity Shares in the Issue. Occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence. We may complete the Allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

***65. Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.***

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

***66. Because we expect the Equity Shares will be treated as stock of a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, U.S. Holders may suffer various adverse U.S. tax consequences and interest charges.***

A non-U.S. corporation will be a PFIC if either (1) 75.00% or more of its gross income is passive income or (2) 50.00% or more of the total value of its assets is attributable to assets, including cash, that produce or are held for the production of passive income. Based on the current and expected composition of the Company's income and assets, the Company expects that 75.00% or more of its gross income will constitute "passive income" and 50.00% or more of its gross assets will constitute "passive assets" for purposes of the PFIC rules. Since the Company does not believe that it can benefit from the exemption from the PFIC rules that is available for foreign banks, the Company expects that it will be treated as a PFIC in this and in subsequent years. As a consequence, U.S. Holders will be subject to the complex PFIC rules, which could result in additional U.S. taxes and interest charges upon a sale or disposition of their Equity Shares or upon certain distributions by the Company. For further details, see "Taxation – Certain U.S. Federal Income Tax Considerations".

***67. The Company is an investment company under the Investment Company Act and as a result the transferability of the Equity Shares by purchasers in the United States may be affected.***

The Company is an "investment company" under the Investment Company Act. The Company is not registered under the Investment Company Act and exemptions from registration under the Investment Company Act may not be available to it. In connection with the placing of the Equity Shares with U.S. investors in this Issue, the Company is seeking to rely on the exclusion provided under Section 3(c)(7) of the Investment Company Act.

The Company, through the Book Running Lead Managers, is making a private placement of Equity Shares to U.S. investors that are both U.S. QIBs and "qualified purchasers" within the meaning of Section 2(a)(51)(A) of the Investment Company Act, on the terms contained herein. If any Equity Shares are owned by or transferred to a U.S. person who is not a "qualified purchaser," the Company may become subject to the requirement to register under the Investment Company Act. Failure to register under the Investment Company Act when required to so register may lead to fines, penalties, recession rights for investors and other adverse consequences for the Company. The Company has elected to impose certain additional restrictions on the U.S. Offering and on transferability of the Equity Shares. The Equity Shares purchased in this Issue will only be transferable in the manner described in "Transfer Restrictions".

## MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

The Equity Shares are listed on the Stock Exchanges since the year 2008. As of the date of this Placement Document, 83,289,969 Equity Shares are issued, subscribed and paid up. As the Equity Shares are traded on the Stock Exchanges, the stock market data has been given separately for each of these stock exchanges.

The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of the Equity Shares on the Stock Exchanges and the number of Equity Shares traded on the days such high and low prices were recorded, for the fiscal years 2012, 2013 and 2014.

### a. BSE

| Fiscal Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ in million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ in million) | Average price for the year (₹)* | Total Number of Equity Shares traded in the year | Total Volume of Equity Shares traded in the year ₹ in million) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | 187.0 | March 26, 2014 | 23,568 | 4.2 | 109.5 | June 12, 2013 | 97,478 | 13.2 | 151.4 | 1,392,896 | 211.5 |
| 2013 | 234.8 | November 29, 2012 | 583,718 | 130.8 | 120.2 | April 02, 2012 | 40,666 | 4.9 | 160.2 | 23,389,305 | 3,645.8 |
| 2012 | 199.0 | July 29, 2011 | 371,086 | 71.1 | 101.6 | December 19, 2011 | 37,210 | 4.0 | 140.8 | 26,269,147 | 3,967.8 |

*Source: www.bseindia.com*
** Average of the daily closing prices*

### b. NSE

| Fiscal Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ in million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ in million) | Average price for the year (₹)* | Total Number of Equity Shares traded in the year | Total Volume of Equity Shares traded in the year ₹ in million) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | 187.7 | March 26, 2014 | 68,683 | 12.4 | 110.0 | June 12, 2013 | 391,510 | 52.5 | 151.5 | 3,298,988 | 502.8 |
| 2013 | 234.9 | November 29, 2012 | 1,065,750 | 238.6 | 120.2 | April 02, 2012 | 61,955 | 7.6 | 160.2 | 51,144,299 | 8,020.3 |
| 2012 | 199.9 | July 27, 2011 | 4,404,689 | 826.4 | 91.0 | December 19, 2011 | 63,723 | 6.8 | 140.8 | 46,571,302 | 7,055.0 |

*Source: www.nseindia.com*
** Average of the daily closing prices*

The following tables set forth, for the period indicated, the reported high, low and average of closing market prices of the Equity Shares on the Stock Exchanges and the number of Equity Shares traded on the days such high and low prices were recorded, in each month during the six months preceding the date of filing of this Placement Document:

**c. BSE**

| Month, Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ in million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ in million) | Average price for the month (₹)* | Total Number of Equity Shares traded in the month | Total Volume of Equity Shares traded in the month (₹ in million) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| February 2015 | 432.0 | February 23, 2015 | 103,850 | 44.1 | 373.2 | February 09, 2015 | 59,342 | 23.3 | 405.6 | 926,241 | 378.8 |
| January 2015 | 431.2 | January 20, 2015 | 69,816 | 29.6 | 356.0 | January 07, 2015 | 50,715 | 18.3 | 390.8 | 1,609,698 | 634.3 |
| December 2014 | 370.3 | December 31, 2014 | 114,911 | 41.9 | 307.8 | December 17, 2014 | 84,149 | 26.8 | 346.6 | 1,187,233 | 413.6 |
| November 2014 | 379.9 | November 18, 2014 | 169,147 | 62.7 | 330 | November 25, 2014 | 82,857 | 27.8 | 352.4 | 1,944,518 | 688.9 |
| October 2014 | 339.2 | October 31, 2014 | 161,498 | 53.8 | 277.3 | October 16, 2014 | 62,126 | 18.1 | 305.5 | 1,516,067 | 466.9 |
| September 2014 | 348.9 | September 12, 2014 | 365,109 | 122.3 | 276.1 | September 04, 2014 | 54,856 | 15.3 | 309.2 | 3,390,977 | 1,072.3 |

*Source: www.bseindia.com*
** Average of the daily closing prices*

**d. NSE**

| Month, Year | High (₹) | Date of High | Number of Equity Shares traded on date of high | Volume on date of high (₹ in million) | Low (₹) | Date of Low | Number of Equity Shares traded on date of low | Volume on date of low (₹ in million) | Average price for the month (₹)* | Total Number of Equity Shares traded in the month | Total Volume of Equity Shares traded in the month (₹ in million) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| February 2015 | 431.4 | February 23, 2015 | 355,505 | 150.9 | 373.0 | February 09, 2015 | 118,854 | 46. 6 | 405.6 | 2,738,014 | 1,123.5 |
| January 2015 | 430.7 | January 20, 2015 | 337,556 | 142.7 | 355.8 | January 07, 2015 | 165,144 | 59.7 | 390.9 | 5,822,249 | 2,296.5 |
| December 2014 | 370.8 | December 31, 2014 | 423,643 | 154.2 | 308.0 | December 17, 2014 | 238,469 | 76.2 | 347.0 | 3,951,908 | 1,377.8 |
| November 2014 | 380.0 | November 18, 2014 | 492,704 | 182.8 | 330.0 | November 26, 2014 | 139,278 | 47.2 | 352.4 | 5,165,339 | 1,834.1 |
| October 2014 | 339.4 | October 31, 2014 | 477,364 | 159.1 | 277.0 | October 17, 2014 | 166,802 | 47.9 | 305.6 | 3,817,397 | 1,184.0 |
| September 2014 | 349.4 | September 12, 2014 | 877,359 | 293.5 | 276.2 | September 04, 2014 | 182,465 | 51.0 | 309.4 | 8,104,870 | 2,538.2 |

*Source: www.nseindia.com*
** Average of the daily closing prices*

The following table sets forth, the market price of the Equity Shares on the Stock Exchanges on September 25, 2014, the trading day immediately following the day on which the Board approved the Issue:

**e. BSE**

| Open (₹) | High (₹) | Low (₹) | Close (₹) | Number of Equity Shares traded | Volume (₹ in million) |
|---|---|---|---|---|---|
| 314.5 | 315.0 | 295.0 | 296.5 | 78,340 | 23.6 |

*Source: www.bseindia.com*

**f. NSE**

| Open (₹) | High (₹) | Low (₹) | Close (₹) | Number of Equity Shares traded | Volume (₹ in million) |
|---|---|---|---|---|---|
| 311.0 | 315.0 | 294.5 | 296.7 | 187,901 | 56.5 |

*Source: www.nseindia.com*

## USE OF PROCEEDS

The total proceeds of the Issue will be ₹ 3,000.00 million. After deducting the Issue expenses of approximately ₹75.00 million, the net proceeds of the Issue will be approximately ₹ 2,925.00 million.

Subject to compliance with applicable laws and regulations, our Company intends to use the net proceeds of the Issue for further augmenting our Company's resources for its ongoing business activities, to meet its growth objectives, increase financial needs, working capital requirements, and other requirements.

In accordance with the policies approved by the Board and as permissible under applicable laws and government policies, our management will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board from time to time and all applicable laws and regulations.

As on date of this Placement Document, neither the Promoters nor our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

## CAPITALIZATION

*The following table sets forth our Company's capitalization as of December 31, 2014 which has been extracted from its audited consolidated condensed interim financial statements and as adjusted to give effect to the receipt of the gross proceeds of the Issue and the application thereof. This capitalization table should be read together with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements".*

*(₹ in million)*

| Particulars | | As of December 31, 2014 | As adjusted for the Issue |
|---|---|---|---|
| **Short-term borrowings** | | | |
| Secured | | 10,606.02 | 10,606.02 |
| Unsecured | | 6,200.78 | 6,200.78 |
| Total short-term borrowings | | 16,806.80 | 16,806.80 |
| | | | |
| **Long-term borrowings[1]** | | | |
| Secured | | 64,229.72 | 64,229.72 |
| Unsecured | | 7,149.94 | 7,149.94 |
| Total long-term borrowings | | 71,379.66 | 71,379.66 |
| | | | |
| **Total borrowings** | **(A)** | **88,186.46** | **88,186.46** |
| | | | |
| **Shareholders' funds** | | | |
| Share Capital[2] | | 831.31 | 908.23 |
| Reserves and Surplus[3] | | 11,820.11 | 14,668.18 |
| | | | |
| **Total shareholders' funds** | **(B)** | **12,651.42** | **15,576.41** |
| | | | |
| **Consolidated Capitalization[4]** | **(A+B)** | **100,837.88** | **103,762.87** |

Notes:

(1) Long-term borrowings include the current maturities of long term borrowings (i.e., loans payable within one year).

(2) The share capital of the Company as on December 31, 2014 does not include allotments of Equity Shares pursuant to our Company's ESOS Schemes subsequent to December 31, 2014. After December 31, 2014 and up to the date of this Placement Document, our Company has issued and allotted an aggregate of 159,125 Equity Shares pursuant to exercise of options under the ESOS Schemes. Further, as on the date of this Placement Document, the options outstanding under ESOS 2007; ESOS 2008; ESOS 2009; ESOS 2011; ESOS 2012 and CMD ESOS 2014, are 344,000; 437,750; 300,000; 1,059,375; 1,637,125 and 6,500,000 respectively, aggregating to 102,78,250 options.

(3) Reserves and Surplus as adjusted by the Issue and net of share Issue expenses.

(3) Consolidated Capitalization equals Shareholders' funds plus total borrowings.

## DIVIDENDS

The declaration and payment of dividends by our Company will be recommended by our Board and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association and the Companies Act. The recommendation, declaration and payment of dividends will depend on a number of factors, including but not limited to our Company's profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. The table below sets out the details of the dividends declared by our Company on its Equity Shares during the last three fiscal years:

| Fiscal Year | Dividend per Equity Share (₹) | Total amount of Dividend* (₹ in million) |
|---|---|---|
| 2012 | 1.50** | 97.19 |
| 2013 | 1.80 | 127.84 |
| 2014 | 2.00 | 165.41 |

**Excludes dividend distribution tax.*

*** The numbers appearing for dividend per equity shares is from the comparatives of the Consolidated Financial Statement for the year ended March 31, 2013.*

Our Company has no stated dividend policy. The amounts paid as dividends in the past are not necessarily indicative of our dividend amounts, if any, in the future. There is no guarantee that any future dividends will be declared or paid or that the amount thereof will not be decreased.

Under the current Indian tax laws, dividends are not subject to income tax in India in the hands of the recipient. However, our Company is liable to pay a "dividend distribution tax" currently at the rate of 15% plus a surcharge at 10% on the dividend distribution tax and an education cess at the rate of 3% on dividend distribution tax and surcharge. With effect from October 1, 2014, due to grossing up of dividend distribution tax paid on distributed amount, the effective rate of dividend distribution tax is approximately 19.997% on the total amount of dividend declared and paid by our Company.

## CAPITAL STRUCTURE

The Equity Share capital of our Company as on the date of this Placement Document is set forth below:

*(₹ in million)*

| | | Aggregate Value at Face Value |
|---|---|---|
| **A** | **AUTHORISED SHARE CAPITAL** | |
| | 103,000,000 Equity Shares of ₹ 10 each | 1,030.00 |
| | 10,000,000 Compulsorily Convertible Preference Share of ₹ 10 each | 100.00 |
| | **Total** | **1,130.00** |
| | | |
| **B** | **ISSUED SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE*** | |
| | 83,289,969 Equity Shares of ₹ 10 each | 832.90 |
| | **Total** | **832.90** |
| | | |
| **C** | **PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT** | |
| | 7,692,300 Equity Shares aggregating to ₹ 3,000.00 million** | 76.92 |
| | | |
| **D** | **PAID-UP CAPITAL AFTER THE ISSUE** | |
| | 90,982,269 Equity Shares | 909.82 |
| | | |
| **E** | **SECURITIES PREMIUM ACCOUNT** | |
| | Before the Issue | 8,765.25 |
| | After the Issue | 11,613.32 |

** As on the date of this Placement Document, the options outstanding under ESOS 2007; ESOS 2008; ESOS 2009; ESOS 2011; ESOS 2012 and CMD ESOS 2014, are 344,000; 437,750; 300,000; 1,059,375; 1,637,125 and 6,500,000 respectively, aggregating to 102,78,250 options.*
*** The Issue was authorised and approved by the Board of Directors on September 24, 2014 and approved by the Shareholders through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014.*

**Equity Share Capital History of our Company**

The history of the Equity Share capital of our Company is set forth below:

| Date of allotment | Number of Equity Shares | Cumulative Number of Equity Shares | Cumulative paid-up share caital (₹) | Face Value (₹) | Issue Price per Equity Share (₹) | Consideration |
|---|---|---|---|---|---|---|
| October 18, 2005 | 10,000 | 10,000 | 100,000 | 10 | 10.00 | Cash |
| December 22, 2005 | 2,140,000 | 2,150,000 | 21,500,000 | 10 | 10.00 | Cash |
| May 5, 2006 | 5,900,000 | 8,050,000 | 80,500,000 | 10 | 10.00 | Cash |
| May 12, 2006 | 13,900,000 | 21,950,000 | 219,500,000 | 10 | 10.00 | Cash |
| May 22, 2006 | 17,577,965 | 39,527,965 | 395,279,650 | 10 | 10.00 | Cash |
| June 14, 2006 | 4,417,034 | 43,944,999 | 439,449,990 | 10 | 117.50 | Cash |
| March 30, 2007* | 500,000 | 44,444,999 | 444,449,990 | 10 | 25.00 | Cash |
| June 27, 2007 | 940,000 | 45,384,999 | 453,849,990 | 10 | 117.50 | Cash |
| June 27, 2007 | 5,500,000 | 50,884,999 | 508,849,990 | 10 | 178.00 | Cash |
| September 27, 2007** | 2,115,000 | 52,999,999 | 529,999,990 | 10 | 10.00 | Cash |
| September 27, 2007*** | 3,137,185 | 56,137,184 | 561,371,840 | 10 | 117.50 | Cash |

| Date of allotment | Number of Equity Shares | Cumulative Number of Equity Shares | Cumulative paid-up share caital (₹) | Face Value (₹) | Issue Price per Equity Share (₹) | Consideration |
|---|---|---|---|---|---|---|
| September 27, 2007 | 618,000 | 56,755,184 | 567,551,840 | 10 | 178.00 | Cash |
| September 27, 2007 | 50,000 | 56,805,184 | 568,051,840 | 10 | 178.00 | Cash |
| January 29, 2008 | 6,422,800 | 63,227,984 | 632,279,840 | 10 | 765.00 | Cash |
| September 1, 2008* | 300,000 | 63,527,984 | 635,279,840 | 10 | 375.45 | Cash |
| May 24, 2010# | 50,000 | 63,577,984 | 635,779,840 | 10 | 102.00 | Cash |
| June 15, 2010# | 25,000 | 63,602,984 | 636,029,840 | 10 | 102.00 | Cash |
| July 15, 2010# | 25,000 | 63,627,984 | 636,279,840 | 10 | 102.00 | Cash |
| July 15, 2010# | 481,500 | 64,109,484 | 641,094,840 | 10 | 102.00 | Cash |
| August 6, 2010# | 134,000 | 64,243,484 | 642,434,840 | 10 | 102.00 | Cash |
| September 6, 2010# | 5,000 | 64,248,484 | 642,484,840 | 10 | 102.00 | Cash |
| October 18, 2010# | 339,000 | 64,587,484 | 645,874,840 | 10 | 178.00 | Cash |
| October 18, 2010# | 25,000 | 64,612,484 | 646,124,840 | 10 | 178.00 | Cash |
| October 18, 2010## | 25,000 | 64,637,484 | 646,374,840 | 10 | 178.00 | Cash |
| November 22, 2010# | 146,000 | 64,783,484 | 647,834,840 | 10 | 178.00 | Cash |
| April 1, 2011# | 15,000 | 64,798,484 | 647,984,840 | 10 | 102.00 | Cash |
| September 28, 2012 | 3,086,420 | 67,884,904 | 678,849,040 | 10 | 162.00 | Cash |
| January 16, 2013# | 8,000 | 67,892,904 | 678,929,040 | 10 | 178.00 | Cash |
| January 16, 2013# | 2,000 | 67,894,904 | 678,949,040 | 10 | 133.70 | Cash |
| January 16, 2013# | 40,000 | 67,934,904 | 679,349,040 | 10 | 133.70 | Cash |
| January 16, 2013# | 3,000 | 67,937,904 | 679,379,040 | 10 | 122.95 | Cash |
| March 14, 2013## | 3,086,420 | 71,024,324 | 710,243,240 | 10 | 162.00 | Cash |
| March 28, 2014 | 11,607,145 | 82,631,469 | 826,314,690 | 10 | 153.80 | Cash |
| April 9, 2014# | 4,500 | 82,635,969 | 826,359,690 | 10 | 102.00 | Cash |
| April 9, 2014# | 7,500 | 82,643,469 | 826,434,690 | 10 | 133.70 | Cash |
| April 9, 2014# | 62,500 | 82,705,969 | 827,059,690 | 10 | 133.70 | Cash |
| May 27, 2014# | 3,000 | 82,708,969 | 827,089,690 | 10 | 133.70 | Cash |
| May 27, 2014# | 12,500 | 82,721,469 | 827,214,690 | 10 | 133.70 | Cash |
| June 10, 2014# | 15,000 | 82,736,469 | 827,364,690 | 10 | 133.70 | Cash |
| June 10, 2014# | 25,000 | 82,761,469 | 827,614,690 | 10 | 155.70 | Cash |
| June 10, 2014# | 2,500 | 82,763,969 | 827,639,690 | 10 | 133.70 | Cash |
| June 10, 2014# | 30,000 | 82,793,969 | 827,939,690 | 10 | 133.70 | Cash |
| June 10, 2014# | 17,500 | 82,811,469 | 828,114,690 | 10 | 155.70 | Cash |
| June 10, 2014# | 3,750 | 82,815,219 | 828,152,190 | 10 | 175.00 | Cash |
| July 7, 2014# | 31,000 | 82,846,219 | 828,462,190 | 10 | 133.70 | Cash |
| July 7, 2014# | 5,000 | 82,851,219 | 828,512,190 | 10 | 155.70 | Cash |
| July 21, 2014# | 16,900 | 82,868,119 | 828,681,190 | 10 | 133.70 | Cash |
| July 21, 2014# | 11,500 | 82,879,619 | 828,796,190 | 10 | 133.70 | Cash |
| July 21, 2014# | 1,500 | 82,881,119 | 828,811,190 | 10 | 155.70 | Cash |
| July 21, 2014# | 31,500 | 82,912,619 | 829,126,190 | 10 | 155.70 | Cash |
| August 19, 2014# | 5,000 | 82,917,619 | 829,176,190 | 10 | 133.70 | Cash |

| Date of allotment | Number of Equity Shares | Cumulative Number of Equity Shares | Cumulative paid-up share caital (₹) | Face Value (₹) | Issue Price per Equity Share (₹) | Consideration |
|---|---|---|---|---|---|---|
| August 19, 2014# | 11,250 | 82,928,869 | 829,288,690 | 10 | 155.70 | Cash |
| August 19, 2014# | 3,750 | 82,932,619 | 829,326,190 | 10 | 203.50 | Cash |
| September 3, 2014# | 3,100 | 82,935,719 | 829,357,190 | 10 | 133.70 | Cash |
| September 3, 2014# | 12,500 | 82,948,219 | 829,482,190 | 10 | 193.00 | Cash |
| September 3, 2014# | 6250 | 82,954,469 | 829,544,690 | 10 | 203.50 | Cash |
| September 3, 2014# | 2,500 | 82,956,969 | 829,569,690 | 10 | 133.70 | Cash |
| September 3, 2014# | 13,125 | 82,970,094 | 829,700,940 | 10 | 155.70 | Cash |
| September 29, 2014# | 10,000 | 82,980,094 | 829,800,940 | 10 | 193.00 | Cash |
| September 29, 2014# | 3,125 | 82,983,219 | 829,832,190 | 10 | 203.50 | Cash |
| September 29, 2014# | 15,625 | 82,998,844 | 829,988,440 | 10 | 203.50 | Cash |
| September 29, 2014# | 8,125 | 83,006,969 | 830,069,690 | 10 | 155.70 | Cash |
| October 21, 2014# | 3,750 | 83,010,719 | 830,107,190 | 10 | 203.50 | Cash |
| October 21, 2014# | 10,000 | 83,020,719 | 830,207,190 | 10 | 133.70 | Cash |
| October 21, 2014# | 7,500 | 83,028,219 | 830,282,190 | 10 | 193.00 | Cash |
| October 21, 2014# | 7,500 | 83,035,719 | 830,357,190 | 10 | 122.95 | Cash |
| October 21, 2014# | 12,500 | 83,048,219 | 830,482,190 | 10 | 133.70 | Cash |
| October 21, 2014# | 15,000 | 83,063,219 | 830,632,190 | 10 | 155.70 | Cash |
| October 21, 2014# | 13,750 | 83,076,969 | 830,769,690 | 10 | 203.50 | Cash |
| October 21, 2014# | 5,000 | 83,081,969 | 830,819,690 | 10 | 165.25 | Cash |
| December 05, 2014# | 8,500 | 83,090,469 | 830,904,690 | 10 | 193.00 | Cash |
| December 05, 2014# | 20,000 | 83,110,469 | 831,104,690 | 10 | 257.35 | Cash |
| December 05, 2014# | 5,000 | 83,115,469 | 831,154,690 | 10 | 133.70 | Cash |
| December 05, 2014# | 3,750 | 83,119,219 | 831,192,190 | 10 | 203.50 | Cash |
| December 18, 2014# | 6,000 | 83,125,219 | 831,252,190 | 10 | 155.70 | Cash |
| December 18, 2014# | 5,625 | 83,130,844 | 831,308,440 | 10 | 203.50 | Cash |
| January 12, 2015# | 15,000 | 83,145,844 | 831,458,440 | 10 | 193.00 | Cash |
| January 12, 2015# | 1,000 | 83,146,844 | 831,468,440 | 10 | 155.70 | Cash |
| January 12, 2015# | 15,000 | 83,161,844 | 831,618,440 | 10 | 122.95 | Cash |

| Date of allotment | Number of Equity Shares | Cumulative Number of Equity Shares | Cumulative paid-up share caital (₹) | Face Value (₹) | Issue Price per Equity Share (₹) | Consideration |
|---|---|---|---|---|---|---|
| January 12, 2015# | 10,000 | 83,171,844 | 831,718,440 | 10 | 133.70 | Cash |
| January 12, 2015# | 5,000 | 83,176,844 | 831,768,440 | 10 | 165.25 | Cash |
| January 12, 2015# | 1,250 | 83,178,094 | 831,780,940 | 10 | 155.70 | Cash |
| January 12, 2015# | 15,750 | 83,193,844 | 831,938,440 | 10 | 203.50 | Cash |
| January 27, 2015# | 3,125 | 83,196,969 | 831,969,690 | 10 | 155.70 | Cash |
| January 27, 2015# | 12,000 | 83,208,969 | 832,089,690 | 10 | 122.95 | Cash |
| January 27, 2015# | 32,000 | 83,240,969 | 832,409,690 | 10 | 203.50 | Cash |
| January 27, 2015# | 7,500 | 83,248,469 | 832,484,690 | 10 | 155.70 | Cash |
| March 03, 2015# | 10,000 | 83,258,469 | 832,584,690 | 10 | 193.00 | Cash |
| March 03, 2015# | 7,000 | 83,265,469 | 832,654,690 | 10 | 122.95 | Cash |
| March 03, 2015# | 22,000 | 83,287,469 | 832,874,690 | 10 | 155.70 | Cash |
| March 03, 2015# | 2,500 | 83,289,969 | 832,899,690 | 10 | 203.50 | Cash |
| **Total** | | **83,289,969** | **832,899,690** | | | |

* *Allotment pursuant to an employee stock purchase scheme of our Company*
** *Allotment pursuant to conversion of series I warrants*
*** *Allotment pursuant to conversion of series II warrants*
\# *Allotment pursuant to exercise of options granted under relevant ESOS Schemes*
\#\# *Allotment pursuant to conversion of Compulsorily Convertible Preference Shares*

**Employee Stock Option Plans and Share Purchase Scheme**

The nomination and remuneration committee of our Company implements the various ESOS Schemes of our Company. Our Company has instituted the following employee stock option plans and share purchase scheme:

(i) **ESOS 2007**

The ESOS 2007 was adopted by the Board pursuant to the same being approved and adopted by the Shareholders by way of a special resolution at the Annual General Meeting of our Company dated September 25, 2007.

(ii) **ESOS 2008**

The ESOS 2008 was adopted by the Board at its meeting held on June 19, 2008, pursuant to the same being approved and adopted by the Shareholders by way of a special resolution at the Annual General Meeting of our Company dated August 14, 2008. The aggregate number of options that may be granted under this scheme shall not exceed 1,335,000 Equity Shares subject to adjustment as may be required due to any corporate action or change in capital structure.

(iii) **ESOS 2009**

The ESOS 2008 was adopted by the nomination and remuneration committee of the Board pursuant to the resolution passed at its meeting held on June 20, 2009, consequent to the same being approved and adopted by the Shareholders by way of a special resolution at the Annual General Meeting of our Company dated August 4, 2009. The aggregate number of options that may be granted under this scheme shall not exceed 350,000 Equity Shares subject to compliance with all applicable laws.

(iv) **ESOS 2011**

The ESOS 2011 was adopted by the nomination and remuneration committee of the Board pursuant to the resolution passed by circulation on January 3, 2011; pursuant to the same being approved and adopted by the Shareholders vide a special resolution passed by way of postal ballot on March 16, 2011. The aggregate number of options that may be granted under this scheme shall not exceed 1,500,000 Equity Shares subject to adjustment as may be required due to any corporate action or change in capital structure.

(v) **ESOS 2012**

The ESOS 2012 was adopted by the nomination and remuneration committee of the Board pursuant to a resolution on May 29, 2012; consequent to the same being approved and adopted by the Shareholders vide a special resolution passed by way of postal ballot on July 5, 2012. The aggregate number of options that may be granted under this scheme shall not exceed 2,500,000 Equity Shares subject to adjustment as may be required due to any corporate action or change in capital structure.

(vi) **CMD ESOS 2014**

The CMD ESOS 2014 was adopted by the nomination and remuneration committee of the Board pursuant to a resolution on April 02, 2014; consequent to the same being approved and adopted by the Shareholders vide a special resolution passed at the Annual General Meeting on June 18, 2014. The aggregate number of options that may be granted under this scheme shall not exceed 6,500,000 Equity Shares subject to adjustment as may be required due to any corporate action or change in capital structure.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements, the notes and the significant accounting policies thereto as at and for the years ended March 31, 2012, 2013 and 2014 and our audited consolidated condensed interim financial statements as at and for the quarter and nine months ended December 31, 2013 and 2014, included in this Placement Document. You should also read "Risk Factors" and "Forward Looking Statements", both of which discuss a number of factors and contingencies that could affect our financial condition, results of operations and cash flows.*

*Except as noted or stated below, the financial statement amounts included herein are based on the numbers appearing in the corresponding period's audited financial statements and not on the amounts included for comparison purposes in the following period's financial statements, e.g., the financial statement amounts included herein as at and for the year ended March 31, 2013 are based on the audited consolidated financial statements as at and for the year ended March 31, 2013 and not on the numbers as at that date and for that period included for comparison purposes in the audited consolidated financial statements as at and for the year ended March 31, 2014. Please note that the numbers appearing for CMS charges and provisions and write offs for the financial year 2012 are from comparatives of the Consolidated Financial Statement for the financial year 2013.*

*Our financial statements included in this Placement Document are prepared in accordance with Indian GAAP, which differs in certain material respects from IFRS and U.S. GAAP. Accordingly, the degree to which the financial statements in this Placement Document will provide meaningful information to a prospective investor in countries other than India is entirely dependent on the reader's level of familiarity with Indian accounting processes.*

*Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12 months ended March 31 of that year. The following discussion relates to us on a consolidated basis. The following discussion also includes internally prepared statistical information and information publicly available from the RBI and other sources.*

### OVERVIEW

Our Company is a Systemically Important Non-Deposit Accepting Non-Banking Financial Company ("**NBFC-ND-SI**"). We primarily provide retail loans to MSMEs and consumers, including long term loans secured by property, two-wheeler loans and consumer durable loans. Additionally, we provide loans to corporate customers (wholesale loans). Over the last few years, we have consistently increased retail loans as proportion of our overall AUM. As at December 31, 2014, our total retail AUM was ₹ 98,428.44 million, which constituted 84.15% of our total AUM compared to the same being at 55.94% as at March 31, 2012.

We provide loans to MSMEs ("**MSME Loans**") based on the cash flow analysis, previous credit behaviour and other diligence checks to assess their repayment capabilities. These loans are generally secured against collateral of residential or commercial property. We also provide unsecured short tenure working capital loans to the MSMEs.

We provide financing for purchases of new two-wheelers ("**Two-Wheeler Loans**"). Our Two-Wheeler Loans are originated by the Two-Wheeler dealerships. These loans are generally availed by micro entrepreneurs and salaried employees. As at December 31, 2014, we had agreements with dealers for distributing two-wheeler loans at over 1,500 empanelled two-wheeler dealership points across India.

We provide financing for digital appliances, white goods and home appliances ("**Consumer Durable Loans**"). Loans for digital appliances like laptops, tablets, smart-phones and printers, are usually availed by micro entrepreneurs and loans for home appliances like air conditioners, refrigerators, washing machines and televisions are usually availed by salaried consumers. Consumer Durable Loans are originated at sales stores, including large retail format stores, modern retail stores, and small retail stores. We have agreements with major consumer durables manufacturers in India for financing their products at these stores. As at December 31, 2014, our Consumer Durable loans are distributed at more than 2,500 empanelled stores across India.

We previously extended gold loans against the pledge of gold jewellery ("**Gold Loans**"). In February 2015, we decided to discontinue our Gold Loans business. As of December 31, 2014, the Gold Loan portfolio constituted 4.10% of our total AUM.

We currently provide wholesale loans on a selective basis to corporate customers, primarily to real estate developers, against security of underlying assets and supported by escrow of the project cash flows. As at December 31, 2014, our total wholesale loans AUM was ₹ 18,544.36 million, which constituted 15.85% of our total AUM.

In addition to our loans business, we are a corporate agent for distributing life insurance products and general insurance products with reputed insurance companies in India.

As at December 31, 2014, we cater to customers in 222 towns across India through our employees, members of our direct sales team, direct sales agents and our network of 89 branches, spread across 40 cities. Our 89 branches as of December 31, 2014 included 43 exclusive Gold Loans branches, which we plan to close over time as part of the winding down process of the Gold Loans business. As at December 31, 2014, we had 1028 employees.

## SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are affected by a number of factors. The following factors are of particular importance.

### *Interest Rates*

Our results of operations are substantially dependent upon our net interest income. Net interest income represents the excess of interest earned from interest-bearing assets (performing loans and investments) over the interest paid on our borrowings. Changes in interest rates affect the rates we charge on our interest-earning assets and that we pay on our borrowings.

We borrow funds on both fixed and floating rates (which are primarily term loans with banks that are linked to banks' base rate). Currently, as per our asset liability management strategy, we generally fund our lending in our long-term MSME Loan portfolio, which have floating interest rates, with long-term borrowings from banks at floating interest rates. Our other loan products, which are usually short term and fixed interest rate loans in nature, are generally funded by fixed interest rate borrowings that are short term as well as long term in nature. We aim to match our long-term and short-term lending portfolio with our long-term and short-term borrowings, in order to mitigate the impact of interest rate volatility. However, if we are unable to match our lending portfolio with our borrowings, we would be exposed to interest rate risks as a result of lending to customers at interest rates and in amounts and for periods that may differ from our funding sources. Any decrease in the interest rates applicable to our assets, without a corresponding decrease in the interest rates applicable to our liabilities, will result in a decline in our net interest income and consequently reduce our net interest margin.

In the event of rising interest rates, there may be a fall in demand for our loans. A fall in interest rates would have the opposite impact. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors, any or all of which may change favourably or unfavourably.

### *Credit Quality, General Provisioning, NPAs and Provisioning against NPAs*

Credit quality is a key driver of our results of operations, as quality loans help to reduce the risk of losses from loan impairment. We believe that our ability to control our NPAs and maintain the credit quality of our portfolio is a function of our strong risk management policies and credit evaluation framework. We have put in place well documented procedures regarding credit appraisal and loan disbursement and have instituted ongoing monitoring mechanisms in order to strengthen our credit quality. For an overview of our credit appraisal and loan disbursement processes, see "Business".

In accordance with RBI's Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, we classify and, depending on the duration of non-payment, make a provision for loans that become NPAs. As at March 31, 2012, 2013 and 2014 and December 31, 2014 our gross NPAs were 0.08%, 0.11%, 0.44% and 0.63% of our gross advances, respectively, and our net NPAs were 0.00%, 0.01%, 0.08% and 0.02% of our net advances, respectively (calculated in accordance with the above mentioned RBI's Directions). Even though we have in place the necessary systems and credit monitoring processes to maintain good asset quality in our loan book, even if economic conditions continue to remain stable, we expect our gross NPAs and net NPAs to continue to increase in the next few years because of the ageing and maturity of the loan book. Various factors, including a rise in unemployment, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global

commodity markets and exchange rates and global competition may cause a further increase in the level of NPAs and have an adverse impact on the quality of our loan portfolio.

If we are unable to effectively manage our level of NPAs or if the regulations governing NPA recognition or provisions change, our results of operations and cash flows could be adversely affected.

***Demand for Loans by MSMEs***

Our major business vertical is MSME Loans. The growth in demand for MSME Loans is primarily driven by the growth in the Indian MSME segment, which in turn significantly depends on the Indian macro-economic conditions. For factors affecting the growth of the MSME sector, see "Industry Overview – The MSME Sector in India".

As MSMEs avail such loans against their properties as collateral, any significant drop in property prices can impact our ability to recover our dues.

Therefore, any adverse impact on the growth of the MSME segment, or the deterioration of the Indian economy, or decreases in real estate prices in India could result in a decline in the demand for MSME Loans and an increase in NPAs in our MSME Loans, both of which would adversely affect our results of our operations.

***Cost of Funds***

One of our strengths lies in our ability to raise funds at competitive rates. Our fund requirements are sourced through bank borrowings and by the issue of debentures to banks, financial institutions and mutual funds. We also place commercial paper and raise unsecured debentures by way of subordinated debt and perpetual debt instruments. Perpetual debt and subordinated debt instruments form part of our Tier I & Tier II capital, respectively. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors, including our ability to maintain our credit ratings. For details on our credit rating, see "Business – Our Competitive Strengths".

***Operating Costs***

Our operating costs, which we define as employee benefit expenses, other expenses (excluding provision and write off on loans & advances), and depreciation and amortisation expenses, as a percentage of our revenue from operations were 29.18% and 26.99% for the nine months ended December 31, 2013 and 2014, respectively, and 23.23%, 32.19% and 28.70% for the years ended March 31, 2012, 2013 and 2014, respectively. Over the past few years, we have expanded our sales platform, infrastructure and supervisory structures, introduced customized credit assessment and operations processes and made significant investments in IT. Our near term focus is on increasing our loans using our existing sales platform and operational infrastructure so that the growth in our revenues would be higher than the growth in our operating costs, which would lead to increased profitability. However, if we are unable to control our operating costs, it would have an adverse effect on our results of operations.

***The Macroeconomic Environment in India***

Our results of operations, in the past, have been, and will continue to be, significantly affected by the macroeconomic environment in India. The Government's monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and borrowings. The RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting the monetary policy. Also, any economic downturn in the domestic market would affect the growth of the MSME segment in India, thereby reducing demand of the MSME segment for debt financing as well as reducing their repayment capability on their existing loans. For a summary of the recent macroeconomic environment in India, see "Industry Overview – Indian Economy".

***Competition***

We face competition, particularly from the banking sector and other players in the NBFC sector, and our growth will depend on our ability to compete effectively. Our main business verticals are Retail Loans with significant focus on lending to MSMEs. Several banks and NBFCs have over the last few years entered this business segment in a focused manner, increasing the level of competition.

## CRITICAL ACCOUNTING POLICIES

For details on our significant accounting policies for the financial years 2012, 2013 and 2014, see "Financial Statements". Our significant accounting policies for the nine months ended December 31, 2014 are the same as those for the financial year ended March 31, 2014, except as stated in "-Changes in Critical Accounting Policies". Our significant accounting policies for the nine months ended December 2013 are the same as those for the financial year ended March 31, 2013.

While we believe that all aspects of our financial statements should be read and understood in assessing our financial condition, we believe that the following are our critical accounting policies for the nine months ended December 31, 2014 that are relevant and specific to our business and operations. Except as noted below in "-Changes in Critical Accounting Polices", we applied the same critical accounting policies for the financial years 2012, 2013 and 2014 and the nine months ended December 31, 2013 as those set forth below.

### *Basis of Preparation*

The financial statements have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and notified by the Companies Act 1956, read with General Circular 8 /2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs and as per the guidelines issued by the RBI from time to time, as amended to the extent applicable to a non-banking financial (non-deposit accepting or holding) company ("**NBFC Regulation**").

The financial statements are prepared under the historical cost convention, on the accounting principles of a going concern and as per applicable accounting standards. Our financial statements adhere to the notified Accounting Standards to the extent that these are not inconsistent with the NBFC Regulation.

### *Use of Estimates*

The preparation of financial statements in conformity with Indian Generally Accepted Accounting Principles requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

### *Loans*

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

### *Impairment of Assets*

The carrying amounts of assets are 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 asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at the pre-tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

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

As 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.

### *Investments*

On initial recognition, all investments are measured at cost. Investments that are readily realisable and intended to be held for not more than a year from the date on which such investments are made 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. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value.

***Commercial Papers***

Commercial paper is recognised at redemption value net of unamortised finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

***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.

*Interest Income*

We recognise interest income from retail loans under the Internal Rate of Return method while interest income from other loans is recognised based on the interest rate implicit in the relevant contract. In the case of NPAs, interest income is recognised upon receipt, as per NBFC prudential norms.

Interest on all other assets is recognised on a time proportion basis.

*Income on Discounted Instruments*

Income on discounted instruments is recognised over the tenor of the instrument on a straight line basis.

*Fee Income*

We account for or recognise fee income collected from our loans and subvention income as income over the tenor of the loan agreements. The unamortised balance is being disclosed as part of our current liabilities. For agreements which are foreclosed/transferred through assignment, the balance of the processing fees and subvention income is recognised as income at the time of such foreclosure/transfer through assignment.

*Commission and Brokerage Income*

Commission and brokerage income earned for services rendered are recognised as and when they are due.

*Income from Assignment of loans and receivables*

Income from the assignment of loans and receivables is amortised over the tenure of the loans in accordance with the RBI circular "Revisions to the Guidelines on Securitisation Transactions" dated August 21, 2012. Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

*Dividend Income*

We account for dividend on income from investments in shares on an accrual basis when the shareholders' right to receive dividend is established by the balance sheet date. Dividends on investments in units of mutual funds are recognised on a receipt basis in accordance with the NBFC Regulation.

*Profit/loss on Sale of Investments*

Profit or loss earned on sale of investments is recognised on a trade date basis. Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

***Securities Issue Expenses***

Debenture issue expenses are charged to the profit and loss account and amortised over the life of the debentures.

***Retirement and Other Employee Benefits***

- *Provident Fund.* We have a defined contribution scheme for our employees' retirement benefit in the form of a provident fund. We have no obligation, other than the contribution payable to the provident fund. We recognise contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

- *Gratuity.* We provide gratuity for our employees under a defined benefit retirement plan which covers all our employees. The plan provides for lump sum payments to our employees upon their death while in employment or upon separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. We account 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. Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

***Leave Encashment***

Earned leave during the financial year and remaining unutilized will be encashed at the year-end based on the relevant employee's basic salary. We present the entire leave of an employee as a current liability in our balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

***Borrowing Costs***

Borrowing costs consists of interest and other ancillary cost that we incur in connection with borrowing of funds. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the tenor of borrowings.

***Loan Origination Cost***

Loan origination costs such as credit verification, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the contractual tenor of the loan agreements. Full month's amortisation is done in the month in which such loans are disbursed. For agreements which are foreclosed or transferred through assignment, the unamortised portion of the loan acquisition costs is recognised as charge to the statement of profit and loss at the time of such foreclosure/transfer through assignment.

***Provisioning/Write-off on Overdue assets***

The provisioning/write-off on overdue assets is as per the management estimates, subject to the minimum provision required under the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007.

We account for provision for doubtful assets after taking into account the time lag between an account becoming overdue, its recognition as such and realisation of available security.

We create general provisions in respect of standard assets in accordance with the RBI guidelines under the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11.

***Employee Stock Option Scheme***

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of the Chartered Accountants of India. We measure compensation cost relating to the employee stock options using the

intrinsic value method. The compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

***Provisions***

We recognise provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

***Contingent Liabilities***

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 our control or a present obligation that is not recognised 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 recognised because it cannot be measured reliably. We do not recognise a contingent liability but disclose its existence in the financial statements.

***Cash and Cash Equivalents***

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank including fixed deposit with original maturity period of three months and short term highly liquid investments with an original maturity of three months or less.

**Changes in Critical Accounting Policies**

During the period ended December 31, 2014, we changed our accounting policy related to accounting of debenture issue expenses. The debenture issues expenses, which are allowed by the Companies Act, 2013, to be charged against Securities Premium under Reserves and Surplus, are now being amortised over the life of debentures on a conservative basis. Consequent to the change in accounting policy, other borrowing costs for the nine months ended December 31, 2014 were higher by ₹ 4.69 million.

During the financial year 2013, we changed the following accounting policies:

- We changed our accounting policy relating to provisioning for non-performing gold loans and consumer durable loans. Consequent to the change in accounting policy, provision and write off for the financial year 2013 decreased by ₹ 185.65 million in respect of Gold Loans and increased by ₹ 13.00 million in respect of Consumer Durable Loans. As a result, net provisions and write off for the financial year 2013 decreased by ₹ 172.65 million. The current provision based on the revised accounting policy meets the minimum provisioning norms as stipulated by RBI.

- We changed our accounting policy relating to fee income on wholesale loans and ancillary borrowing cost. Under the new policy, fee income on wholesale loans is amortised over the tenure of the loan while fee income on ancillary borrowing cost is amortised over the tenure of the borrowings. Consequent to the change in accounting policy, the profit for the financial year 2013 increased by ₹ 60.51 million.

- We adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. Accordingly, income from assignment transactions during the financial year ended March 31, 2013 decreased by ₹ 128.49 million due to the change in the method of deferral of recognition of income prescribed in the revised guidelines issued by the RBI.

During the financial year 2012, the revised Schedule VI notified under the Companies Act 1956, become applicable to us, for preparation and presentation of our financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it has a significant impact on the presentation and disclosures made in the financial statements. We have also reclassified the previous year figures in accordance with the requirements applicable in the current year.

The Guidance Note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment, requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, during the financial year 2012, we reduced the Share Capital by ₹ 3.00 million and Securities Premium by ₹ 109.64 million in respect of 300,000 Equity Shares held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

**RESULTS OF OPERATIONS**

The following table sets forth our summary statements of profit and loss for the nine months ended December 31, 2013 and 2014 and for the financial years 2012, 2013 and 2014:

**(₹ in millions)**

| **Particulars** | **Nine months ended December 31, 2014** | **Nine months ended December 31, 2013** | **Year ended March 31, 2014** | **Year ended March 31, 2013** | **Year ended March 31, 2012** |
|---|---|---|---|---|---|
| Revenue from operations | 10,402.63 | 7,796.88 | 10,530.08 | 8,147.93 | 7,401.46 |
| Other income | 165.51 | 19.15 | 95.07 | 48.26 | 35.98 |
| **Total revenue** | **10,568.14** | **7,816.03** | **10,625.14** | **8,196.19** | **7,437.44** |
| | | | | | |
| **Expenses** | | | | | |
| Employee benefits expense | 1,021.95 | 1,004.52 | 1,267.89 | 1,393.60 | 868.41 |
| Finance costs | 5,869.53 | 4,735.79 | 6,466.81 | 4,834.24 | 3,976.97 |
| Depreciation and amortisation expense | 72.15 | 49.06 | 58.88 | 69.98 | 54.86 |
| Other expenses | 2,446.99 | 1,668.69 | 2,184.05 | 1,379.29 | 1,021.26 |
| **Total expenses** | **9,410.62** | **7,458.06** | **9,977.63** | **7,677.11** | **5,921.50** |
| | | | | | |
| **Profit before exceptional items and tax** | **1,157.52** | **357.97** | **647.51** | **519.08** | **1,515.94** |
| Exceptional items | - | - | - | 213.09 | - |
| **Profit before tax** | **1,157.52** | **357.97** | **647.51** | **732.17** | **1,515.94** |
| | | | | | |
| **Tax expense:** | | | | | |
| - Current tax | 593.13 | 204.44 | 316.13 | 184.47 | 465.92 |
| - Minimum Alternative Tax (MAT) Credit entitlement | (0.36) | - | (1.76) | (65.84) | - |
| - Deferred tax credit | (183.29) | (74.47) | (84.28) | (17.55) | (8.72) |
| - Tax for earlier years | 0.02 | - | (172.09) | - | 0.43 |
| | **409.50** | **129.97** | **58.00** | **101.08** | **457.63** |
| **Profit for the year/period from continuing operations (A)** | **748.02** | **228.00** | **589.51** | **631.09** | **1,058.31** |
| Profit/(loss) before tax from discontinuing operations | 37.57 | - | (57.24) | - | - |
| Tax expense of discontinuing operations | 7.51 | - | 5.99 | - | - |
| **Profit/(loss) from discontinuing operations (after tax) (B)** | 30.06 | - | **(63.23)** | **-** | **-** |
| **Profit for the year/period (A)+(B)** | 778.08 | 228.00 | **526.28** | **631.09** | **1,058.31** |

## DESCRIPTION OF PRINCIPAL COMPONENTS OF REVENUE AND EXPENDITURE

### Revenue

Our revenue consists of revenue from operations and other income.

***Revenue from Operations***

Our revenue from operations comprises income from (a) interest income, and (b) other financial services. Our other financial services primarily includes (i) fee income, (ii) income from assignment of loans, and (iii) commission and brokerage income. The table below sets forth the components of our revenue from operations for the nine months ended December 31, 2014 and 2013 and the financial years 2014, 2013 and 2012:

**(₹ in millions)**

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2013 | Year ended March 31, 2014 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|---|
| **Revenue from operations** | **10,402.63** | **7,796.88** | **10,530.08** | **8,147.93** | **7,401.46** |
| *of which:* | | | | | |
| *Interest income* | *9,460.30* | *7,074.35* | *9,748.46* | *7,283.95* | *5,542.32* |
| *Other financial services* | *942.33* | *722.53* | *781.62* | *864.00* | *1,859.14* |
| *of which:* | | | | | |
| *Fee income* | *773.09* | *428.91* | *650.50* | *216.76* | *786.90* |
| *Income from assignment of loans* | *150.04* | *65.01* | *32.52* | *292.09* | *705.27* |
| *Commission and brokerage income* | *19.20* | *151.51* | *98.60* | *218.43* | *109.38* |
| *Others* | - | *77.10*[(1)] | - | *136.72*[(2)] | *257.59*[(3)] |

***Notes***:

1. Comprised net profit on sale of current investments and management fees. For details, see note 22 to the audited consolidated condensed interim financial statements as at and for the nine months ended December 31, 2013.

2. Comprised rental income, net profit on sale of current investments, profit on sale of leased assets, management fees and net profit on trading in commodities. For details, see note 22 to the audited consolidated financial statements for the financial year 2013 in "Financial Statements".

3. Comprised rental income, profit on sale of investments, profit on sale of leased assets and management fees. For details, see note 22 to the audited consolidated financial statements for the financial year 2012 in "Financial Statements".

***Other Income***

Our other income for the nine months ended December 31, 2014 comprised (a) net profit on sale of current investments, (b) interest on income tax refund, and (c) excess provision written back.

Our other income for the nine months ended December 31, 2013 comprised (a) interest on income tax refund, (b) excess provision written back, and (c) other non-operating income.

Our other income for the financial year 2014 comprised (a) net profit on sale of current investments, (b) interest on income tax refund, (c) excess provision written back, and (d) other non-operating income.

Our other income for the financial year 2013 comprised (a) interest on income tax refund, (b) excess provision written back, and (c) other non-operating income.

Our other income for the financial year 2012 comprised (a) interest on income tax refund and (b) other non-operating income.

**Expenses**

Our total expenses consisted of (a) employee benefits expense, (b) finance costs, (c) depreciation and amortisation expense, and (d) other expenses.

Our employee benefit expense comprised (a) salaries and wages for our employees as well the costs for hiring outsourced personnel from third party service providers, (b) contribution to provident and other funds for our employees, and (c) staff welfare expenses for our employees.

Our finance costs comprised (a) interest expense, and (b) other borrowing costs. The following tables set forth a breakdown of our finance costs for the nine months ended December 31, 2014 and 2013 and the financial years 2014, 2013 and 2012.

**(₹ in millions)**

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2013 | Year ended March 31, 2014 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|---|
| **Finance costs** | **5,869.53** | **4,735.79** | **6,466.81** | **4,834.24** | **3,976.97** |
| *of which:* | | | | | |
| *Interest expense* | 5,506.85 | *4,541.08* | *6,241.82* | *4,329.97* | *2,926.02* |
| *Other borrowing costs* | 362.68 | *194.71* | *224.99* | *504.27* | *1,050.96* |

Our depreciation and amortisation expense comprised (a) depreciation of fixed assets and (b) amortisation of intangible assets, and (c) depreciation on investment property.

Our other expenses primarily included (a) provision and write-offs, (b) amortised loan origination cost (which primarily includes sales commission paid to direct sales agents), (c) legal and professional charges, and (d) rent. The following table sets forth a breakdown of the above mentioned expenses for the nine months ended December 31, 2014 and 2013 and the financial years 2014, 2013 and 2012:

**(₹ in millions)**

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2013 | Year ended March 31, 2014 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|---|
| **Other Expenses** | **2,446.99** | **1,668.69** | **2,184.05** | **1,379.29** | **1,021.26** |
| *Major components of other expenses include:* | | | | | |
| *Provision and write-offs* | *733.40* | *447.19* | *488.59* | *220.14* | *225.28* |
| *Amortised loan origination cost* | *441.73* | *331.22* | *510.16* | *196.43* | *179.74* |
| *Legal and professional charges* | *455.63* | *254.35* | *365.58* | *158.66* | *163.40* |
| *Rent* | *112.79* | *115.83* | *145.69* | *156.78* | *125.32* |

**Discontinuing Operations**

The Board of Directors at its meeting held on November 13, 2013 decided to discontinue our broking business carried on through our Company's subsidiaries viz. Capital First Securities Limited ("**CFSL**") and Capital First Commodities Limited (which is a subsidiary of CFSL). In view of the foregoing, our financial statements have been prepared on the basis that these companies do not continue as a going concern and consequently, assets are measured at net realizable value and liabilities are measured at the cost to settle, as determined by our management. These expected realizable values and expected settlement values of assets and liabilities are subject to change on actual realization/settlement.

The following table sets forth the carrying amount of assets and liabilities and income and expenditure pertaining to continuing and discontinuing operations for the periods indicated:

**(₹ in millions)**

| | Year ended March 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013[1] | |
| | Continuing Operations | Discontinuing Operations | Continuing Operations | Discontinuing Operations |
| Total income | 10,625.14 | 80.05 | 8,299.46 | 109.96 |
| Operating expenses | 9,977.63 | 135.84 | 7,502.66 | 173.11 |
| Profit / (Loss) from operating activities | 647.51 | (55.80) | 796.80 | (63.15) |
| Interest expense | - | 1.44 | - | 1.48 |
| Profit / (Loss) before tax | 647.51 | (57.24) | 796.80 | (64.62) |
| Tax | 58.00 | 5.99 | 99.07 | 2.02 |
| Profit / (Loss) after tax | 589.51 | (63.23) | 697.74 | (66.64) |
| Total Assets | 100,515.50 | 803.85 | 74,802.51 | 550.75 |
| Total Liabilities | 88,855.77 | 745.06 | 65,607.57 | 138.57 |

*(1) The numbers appearing for Continuing Operations and Discontinuing Operations for the financial year 2013 are from comparatives of the Consolidated Financial Statement for the financial year 2014.*

Our profit before tax for the nine months ended December 31, 2014 from discontinuing operations was ₹ 37.57 million and our loss before tax for the nine months ended December 31, 2013 from discontinuing operations was ₹ 4.53 million.

**Nine Months Ended December 31, 2014 Compared to Nine Months Ended December 31, 2013**

***Total Revenue***. Our total revenue increased by 35.21% to ₹ 10,568.14 million for the nine months ended December 31, 2014 from ₹ 7,816.03 million for the nine months ended December 31, 2013 as a result of a ₹ 2,605.75 million, or 33.42%, increase in revenue from operations and a ₹ 146.36 million increase in other income.

*Revenue from Operations.* Our revenue from operations increased by 33.42% to ₹ 10,402.63 million for the nine months ended December 31, 2014 from ₹ 7,796.88 million for the nine months ended December 31, 2013. The primary reasons for this increase are discussed below.

- Interest income increased by 33.73% to ₹ 9,460.30 million for the nine months ended December 31, 2014 from ₹ 7,074.35 million for the nine months ended December 31, 2013. This increase was significantly contributed by the growth in our outstanding loan, which increased by 32.73% to ₹ 88,592.14 million as at December 31, 2014 from ₹ 66,745.39 million as at December 31, 2013.

- Income from other financial services increased by 30.42% to ₹ 942.33 million for the nine months ended December 31, 2014 from ₹ 722.53 million for the nine months ended December 31, 2013. This increase was primarily due to a 80.25% increase in fee income to ₹ 773.09 million for the nine months ended December 31, 2014 from ₹ 428.91 million for the nine months ended December 31, 2013.

*Other Income.* Our other income increased by ₹ 146.36 million to ₹ 165.51 million for the nine months ended December 31, 2014 from ₹ 19.15 million for the nine months ended December 31, 2013. This increase was primarily due to an increase in profit from the sale of short term current investments.

***Total Expenses***. Our total expenses increased by 26.18% to ₹ 9,410.62 million for the nine months ended December 31, 2014 from ₹ 7,458.06 million for the nine months ended December 31, 2013 as a result of a 23.94% increase in finance costs, a 47.06% increase in depreciation and amortisation expense, a 46.64% increase in other expenses, and a 1.74% increase in employee benefits expense.

*Finance Costs.* Our finance costs increased by 23.94% to ₹ 5,869.53 million for the nine months ended December 31, 2014 from ₹ 4,735.79 million for the nine months ended December 31, 2013. This increase was primarily due to an increase in borrowings to fund the increased loan book. Our borrowings increased by 18.59% from ₹ 74,363.41 million

as at December 31, 2013 to ₹ 88,186.45 million as at December, 2014.

*Other Expenses.* Our other expenses increased by 46.64% to ₹ 2,446.99 million for the nine months ended December 31, 2014 from ₹ 1,668.69 million for the nine months ended December 31, 2013. The primary reasons for this increase are discussed below.

- Amortised loan origination cost increased by 33.36% to ₹ 441.73 million for the nine months ended December 31, 2014 from ₹ 331.22 million for the nine months ended December 31, 2013. This increase was primarily due to growth in the loan book.

- Provisions and write offs increased by 64.00% to ₹ 733.40 million for the nine months ended December 31, 2014 from ₹ 447.19 million for the nine months ended December 31, 2013. The primary reasons for this increase were the ageing and maturing of the loan book. As at December 31, 2013 and 2014, our gross NPAs were 0.49% and 0.63% of our gross advances, respectively, and our net NPAs were 0.20% and 0.02% of our net advances, respectively. Also, the Company has chosen early phased compliance with RBI notification vide notification no. RBI/2014-15/299 dated November 10, 2014, which requires increased provision on standard assets in a phased manner over a period of three years. As a result of this, provisions and write off include an amount of ₹ 43.87 million towards higher provisioning on standard assets.

- Legal and professional charges increased by 79.14% to ₹ 455.63 million for the nine months ended December 31, 2014 from ₹ 254.35 million for the nine months ended December 31, 2013. This increase was primarily due to an increase in loan file sourcing and processing expenses.

*Employee Benefit Expense.* Our employee benefit expense increased by 1.74% to ₹ 1,021.95 million for the nine months ended December 31, 2014 from ₹ 1,004.52 million for the nine months ended December 31, 2013. This small increase was primarily due to a general increase in wages which was offset by a decrease in our employees from 1086 to 1028.

*Depreciation and amortisation expense.* Our depreciation and amortisation expense increased by 47.06% to ₹ 72.15 million for the nine months ended December 31, 2014 from ₹ 49.06 million for the nine months ended December 31, 2013.

***Tax Expense***. Our total tax expense increased by 220.85% to ₹ 417.01 million for the nine months ended December 31, 2014 from ₹ 129.97 million for the nine months ended December 31, 2013. The primary reason for this increase was a 233.85% increase in our profit before tax. We did not recognise any exceptional items for both periods. For the nine months ended December 31, 2014 and December 31, 2013, our tax expense as a percentage of our profit before tax was 34.89% and 36.31%, respectively. The corporate income tax rate for both periods was 33.99% (including all cesses).

***Net Profit***. As a result of the above, our net profit increased by 241.26% to ₹ 778.08 million for the nine months ended December 31, 2014 from ₹ 228.00 million for the nine months ended December 31, 2013.

**Financial Year 2014 Compared to Financial Year 2013**

Our results of operations for the financial year 2014 were affected by the discontinuation of our equity broking and commodities broking businesses in the third quarter of financial year 2014. For details of the impact of our discontinuing operations, see "- Discontinuing Operations" above.

***Total Revenue***. Our total revenue increased by 29.64% to ₹ 10,625.14 million for the financial year 2014 from ₹ 8,196.19 million for the financial year 2013 as a result of a 29.24% increase in revenue from operations as well as 97.00% increase in other income.

*Revenue from operations.* Our revenue from operations increased by 29.24% to ₹ 10,530.08 million for the financial year 2014 from ₹ 8,147.93 million for the financial year 2013. The primary reasons for this increase are discussed below.

- Interest income increased by 33.83% to ₹ 9,748.46 million for the financial year 2014 from ₹ 7,283.95 million for the financial year 2013. This was primarily due to the growth in our loan. Our loan increased by 24.46% to ₹ 69,439.40 million as at March 31, 2014 from ₹ 55,794.59 million as at March 31, 2013.

- Income from other financial services decreased by 9.53% to ₹ 781.62 million for the financial year 2014 from ₹ 864.00 million for the financial year 2013. This decrease was primarily due to the change in our accounting policy on recognition of income from assignment of loans with effect from August 2012, wherein the income is now amortised over the tenure of the loan. For details, see "-Changes in Critical Accounting Policies" above.

*Other Income.* Our other income increased by 97.00% to ₹ 95.07 million for the financial year 2014 from ₹ 48.26 million for the financial year 2013. The increase was primarily due to a net profit of ₹ 75.03 million on the sale of current investments recognised as "other income" in the financial year 2014. For the financial year 2013, we categorized net profit on sale of current investments under "other financial services", as part of our revenue from operations.

***Total Expenses***. Our total expenses increased by 29.97% to ₹ 9,977.63 million for the financial year 2014 from ₹ 7,677.11 million for the financial year 2013 as a result of a 33.77% increase in finance costs, a 58.35% increase in other expenses, a 9.02% decrease in employee benefits expense and a 15.86% decrease in depreciation and amortisation expense.

*Finance Costs.* Our finance costs increased by 33.77% to ₹ 6,466.81 million for the financial year 2014 from ₹ 4,834.24 million for the financial year 2013. This increase was primarily due to the following reasons:

- Interest expense increased by 44.15% to ₹ 6,241.82 million for the financial year 2014 from ₹ 4,329.97 million for the financial year 2013. This increase was primarily due to an increase in our borrowings (long-term and short-term), which increased to ₹ 84,219.51 million as at March 31, 2014 from ₹ 62,301.50 million as at March 31, 2013.

- Other borrowing costs decreased by 55.38% to ₹ 224.99 million for the financial year 2014 from ₹ 504.27 million for the financial year 2013. This decrease was primarily due to a decrease in the issuance of commercial paper in the financial year 2014 compared with the financial year 2013.

*Other Expenses.* Our other expenses increased by 58.35% to ₹ 2,184.05 million for the financial year 2014 from ₹ 1,379.29 million for the financial year 2013. The primary reasons for this increase are discussed below.

- Provisions and write offs increased by 121.95% to ₹ 488.59 million for the financial year 2014 from ₹ 220.14 million for the financial year 2013. The primary reason for this increase was the growth of our loan, coupled with ageing and maturing of our loan. As at March 31, 2013 and 2014 our gross NPAs were 0.11%, and 0.44% of our gross advances, respectively, and our net NPAs were 0.01% and 0.08% of our net advances, respectively.

- Amortised loan origination cost increased by 159.71% to ₹ 510.16 million for the financial year 2014 from ₹ 196.43 million for the financial year 2013, which was due to an increase in disbursals and assignment of loans.

- Legal and professional charges increased by 130.42% to ₹ 365.58 million for the financial year 2014 from ₹ 158.66 million for the financial year 2013, which was primarily due to an increase in sourcing and processing expenses for our lending business.

*Employee Benefit Expense.* Our employee benefit expense decreased by 9.02% to ₹ 1,267.89 million for the financial year 2014 from ₹ 1,393.60 million for the financial year 2013. The primary reason for this decrease was a decrease in the number of our employees from 1,232 as at March 31, 2013 to 1,089 as at March 31, 2014, which was primarily due to the discontinuation of our equity broking and commodities broking businesses.

*Depreciation and amortisation expense.* Our depreciation and amortisation expense decreased by 15.86% to ₹ 58.88 million for the financial year 2014 from ₹ 69.98 million for the financial year 2013.

***Exceptional Items***. We did not have any exceptional items for the financial year 2014. Our exceptional items were ₹ 213.10 million for the financial year 2013, comprising profit of ₹ 223.60 million earned from the sale of our stake in Myra Mall Management Company Limited vide a share purchase agreement dated July 9, 2012, which was partially offset by a net loss of ₹ 10.51 million (after goodwill written off) from the sale of our stake in Future Finance Limited vide a share purchase agreement dated September 17, 2012.

***Tax Expense***. Our total tax expense decreased by 36.69% to ₹ 63.99 million for the financial year 2014 from ₹ 101.08 million for the financial year 2013. This decrease was primarily due to a ₹ 172.09 million tax credit for earlier years, primarily in respect of bad debts written off allowed as a deduction on completion of assessment, and a 19.38% decrease in profit before tax. Our net profit before tax for the financial year 2013 included the ₹ 213.09 million net profit on the sale of two of the Company's subsidiaries (noted as an exceptional item), which was subject to tax at the capital gains tax rate of 21.63% rather than the income tax rate of 32.45%. Our total tax expense for the financial year 2013 was reduced by the deduction of debenture issue expenses, which were debited to the share premium account.

For the financial years 2014 and 2013, our tax expense as a percentage of our profit before tax was 10.84% and 13.81%, respectively. The corporate income tax was 33.99% and 32.45% (including all cesses), for the financial years 2014 and 2013, respectively.

***Net Profit***. As a result of the above, our net profit decreased by 16.61% to ₹ 526.28 million for the financial year 2014 from ₹ 631.09 million for the financial year 2013.

***Financial Year 2013 Compared to Financial Year 2012***

***Total Revenue***. Our total revenue increased by 10.20% to ₹ 8,196.19 million for the financial year 2013 from ₹ 7,437.44 million for the financial year 2012 as a result of a 10.09% increase in revenue from operations as well as 34.13% increase in other income.

*Revenue from operations.* Our revenue from operations increased by 10.09% to ₹ 8,147.93 million for the financial year 2013 from ₹ 7,401.46 million for the financial year 2012. The primary reasons for this increase are discussed below.

- Interest income increased by 31.42% to ₹ 7,283.95 million for the financial year 2013 from ₹ 5,542.32 million for the financial year 2012. This increase was primarily due to an increase in our loan book. Our loan book increased by 19.28% to ₹ 55,794.59 million as at March 31, 2013 from ₹ 46,774.61 million as at March 31, 2012. The increase in our interest was due to part to the increase in interest from our Two-Wheeler Loans. We launched our Two-Wheeler Loans business in the third quarter of the financial year 2012. Therefore, our results for the financial year 2012 do not reflect the revenue for this business for the full year whereas it is reflected for the full year for financial year 2013.

- Income from other financial services decreased by 53.53% to ₹ 864.00 million for the financial year 2013 from ₹ 1,859.14 million for the financial year 2012. The primary reasons for this decrease are discussed below.

    - Fee income decreased by 72.45% from ₹ 786.90 million for the financial year 2012 to ₹ 216.76 million for financial year 2013, which decrease was primarily due to a change in our accounting policy in relation to fee income on wholesale loans from recognising fees upfront to amortising the fees over the tenure of the loan. For details, see "-Changes in Critical Accounting Policies" above.

    - Income from assignment of loans decreased by 58.58% from ₹ 705.27 million for the financial year 2012 to ₹ 292.09 million for the financial year 2013. This decrease was primarily due to the change in accounting policy on recognition of income from assignment of loans from recognising the income upfront to amortising the income over the tenure of the loan. For details, see "-Changes in Critical Accounting Policies" above.

*Other Income.* Our other income increased by 34.13% to ₹ 48.26 million for the financial year 2013 from ₹ 35.98 million for the financial year 2012.

***Total Expenses***. Our total expenses increased by 29.65% to ₹ 7,677.11 million for the financial year 2013 from ₹ 5,921.51 million for the financial year 2012 as a result of a 60.48% increase in employee benefits expense, a 21.56% increase in finance costs, a 27.56% increase in depreciation and amortisation expense, and a 35.06% increase in other expenses.

*Finance Costs.* Our finance costs increased by 21.56% to ₹ 4,834.24 million for the financial year 2013 from ₹ 3,976.97 million for the financial year 2012. The primary reasons for this are discussed below.

- Interest expense increased by 47.98% to ₹ 4,329.97 million for the financial year 2013 from ₹ 2,926.02 million

for the financial year 2012, which was primarily due to increased borrowings. Our total borrowings (long term and short term) increased by 42.04% from ₹ 43,863.21 million as at March 31, 2012 to ₹ 62,301.50 million as at March 31, 2013.

- Other borrowing costs decreased by 52.02% to ₹ 504.27 million for the financial year 2013 from ₹ 1,050.96 million for the financial year 2013, which was primarily due to a change in accounting policy in relation to ancillary borrowing costs from recognising the costs upfront to amortising the costs over the tenure of the loans.

*Other Expenses.* Our other expenses increased by ₹ 358.03 million, or 35.06%, to ₹ 1,379.29 million for the financial year 2013 from ₹ 1,021.26 million for the financial year 2012. The primary reasons for this increase are discussed below.

- CMS charges (cash management service charges, which includes gold vaulting charges) increased by ₹ 117.57 million to ₹ 145.78 million for the financial year 2013 from ₹ 28.21 million for the financial year 2012. This increase which was primarily due to the growth of our Gold Loans business.

- Rent increased by ₹ 31.46 million, or 25.10%, to ₹ 156.78 million for the financial year 2013 from ₹ 125.32 million for the financial year 2012, which increase was primarily due to leasing of additional premises to house our centralised back-end operations centre and shifting to a new corporate office.

- Amortised loan origination cost increased by ₹ 16.69 million, or 9.29%, to ₹ 196.43 million for the financial year 2013 from ₹ 179.74 million for the financial year 2012, which was primarily due to higher disbursals.

- Provisions and write offs decreased by 2.28% to ₹ 220.14 million for the financial year 2013 from ₹ 225.28 million for the financial year 2012. The primary reasons for this decrease are discussed below.

    - Our provision for doubtful loans and advances increased to ₹ 83.38 million for the financial year 2013 from ₹ 10.53 million in the financial year 2012. This increase was due to the growth, ageing and maturing of our loan book. Bad loans and trade receivables written off increased to ₹ 110.08 million for the financial year 2013 from ₹ 70.70 million in the financial year 2012. This increase was primarily due to the write-off of loan amounts aggregating to ₹ 40.55 million in connection with a fraud. For more details on the fraud, see "Legal Proceedings". As a result of the fraud, the auditor qualified its Companies (Auditors' Report) Order, 2003 report for the financial year 2013. For details, see the Companies (Auditors' Report) Order, 2003 report for the financial year 2013 in "Financial Statements". As at March 31, 2012 and 2013 our gross NPAs were 0.08% and 0.11% of our gross advances, respectively, and our net NPAs were 0.00% and 0.01% of our net advances, respectively.

    - We provided for ₹ 95.00 million in the financial year 2012 for diminution in the value of our investments. We did not provide for any amount in connection with the foregoing in the financial year 2013.

*Employee Benefit Expense.* Our employee benefit expense increased by 60.48% to ₹ 1,393.60 million for the financial year 2013 from ₹ 868.41 million for the financial year 2012. This increase was primarily due to an increase in the number outsourced personnel hired from third party service providers and an increase in the number of our employees, which increased from 1,123 as at March 31, 2012 to 1,232 as at March 31, 2013.

*Depreciation and amortisation expense.* Our depreciation and amortisation expense increased by 27.56% to ₹ 69.98 million for the financial year 2013 from ₹ 54.86 million for the financial year 2012.

***Exceptional Items***. We did not have any exceptional items for the financial year 2012. Our exceptional items were ₹213.10 million for the financial year 2013, comprising profit of ₹ 223.60 million earned from the sale of our stake in Myra Mall Management Company Limited vide a share purchase agreement dated July 9, 2012, which was partially offset by a net loss of ₹ 10.51 million (after goodwill written off) from the sale of our stake in Future Finance Limited vide a share purchase agreement dated September 17, 2012.

***Tax Expense.*** Our total tax expense decreased by 77.91% to ₹ 101.08 million for the financial year 2013 from ₹ 457.63 million for the financial year 2012. This decrease was primarily due to a 51.70% decrease in profit before tax. In

addition, our net profit before tax for the financial year 2013 included the ₹ 213.09 million net profit on the sale of two of the Company's subsidiaries (noted as an exceptional item), which was subject to tax at the capital gains tax rate of 21.63% rather than the income tax rate. Our total tax expense for the financial year 2013 was reduced by the deduction of debenture issue expenses, which were debited to the share premium account.

For the financial years 2013 and 2012, our tax expense as a percentage of our profit before tax was 13.81% and 30.19%, respectively. The corporate income tax rate was 32.45% (including all cesses) for both periods.

***Net Profit***. As a result of the above, our net profit decreased by 40.37% to ₹ 631.09 million for the financial year 2013 from ₹ 1,058.31 million for the financial year 2012.

**FINANCIAL CONDITION**

**Total Assets**

The table below sets forth the principal components of our total assets as at the dates specified:

**(₹ in millions)**

| | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | |
| | | | | |
| **Non-Current Assets:** | **32,207.18** | **43,030.24** | **53,124.83** | 70,714.08 |
| Fixed assets | 399.48 | 390.72 | 340.13 | 212.32 |
| *of which* | | | | |
| *Tangible assets* | *247.16* | *256.18* | *224.01* | *165.69* |
| *Intangible assets* | *38.32* | *70.05* | *51.63* | *46.63* |
| *Capital work in process* | *20.10* | - | - | - |
| *Intangible assets under development* | *14.04* | - | - | - |
| *Goodwill on Consolidation* | *79.87* | *64.49* | *64.49* | - |
| | | | | |
| Non-current investments | 2,754.65 | 763.44 | 11.07 | - |
| Deferred tax assets (net) | 69.19 | 86.74 | 170.80 | 357.55 |
| Long term loans and advances | 26,752.53 | 39,634.89 | 50,085.19 | 67,621.34 |
| Other non-current assets | 2,231.32 | 2,154.46 | 2,517.64 | 2,522.87 |
| | | | | |
| **Current Assets:** | **24,643.85** | **32,369.12** | **48,194.52** | **37,396.33** |
| Current investments | 576.53 | 685.71 | 3,463.15 | 676.89 |
| Trade receivables | 563.87 | 389.89 | 93.60 | 223.92 |
| Cash and bank balances | 5,091.97 | 12,206.03 | 20,130.75 | 11,387.59 |
| Short term loans and advances | 17,713.10 | 18,095.45 | 23,142.92 | 22,511.98 |
| Other current assets | 698.38 | 992.04 | 1,364.11 | 2,595.95 |
| | | | | |
| **Total Assets** | **56,851.03** | **75,399.36** | **101,319.35** | **108,110.41** |

**Total Liabilities**

Our liabilities as at the specified dates are set out below:

**(₹ in millions)**

| Particulars | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | |
| **Non-Current Liabilities:** | **28,278.05** | **45,313.13** | **57,037.12** | **50,488.20** |
| Long term borrowings | 27,203.36 | 44,215.26 | 55,700.92 | 49,057.16 |

| Particulars | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | |
| Other long term liabilities | 133.69 | 291.75 | 383.63 | 453.65 |
| Long term provisions | 941.00 | 806.12 | 952.58 | 977.39 |
| | | | | |
| **Current liabilities:** | **20,257.26** | **20,479.10** | **32,563.70** | **44,970.79** |
| Short term borrowings | 11,522.35 | 10,702.90 | 14,664.46 | 16,806.80 |
| Trade payables | 421.09 | 551.76 | 1,396.73 | 826.96 |
| Other current liabilities | 7,948.73 | 8,647.12 | 16,125.92 | 26,882.03 |
| Short term provisions | 365.09 | 577.32 | 376.60 | 455.00 |
| | | | | |
| **Total Liabilities** | **48,535.31** | **65,792.24** | **89,600.82** | **95,458.99** |

**Shareholders' Funds**

Shareholders' funds comprise share capital and reserves and surplus. The following table sets out the shareholders' funds as at December 31, 2014 and March 31, 2014, 2012 and 2013:

**(₹ in millions)**

| Particulars | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | 2012 | 2013 | 2014[1] | |
| Share capital | 644.98 | 704.15 | 820.22 | 831.31 |
| Reserves and surplus | 7,670.73 | 8,902.98 | 10,889.95 | 11,820.11 |
| **Shareholders' Funds** | **8,315.72** | **9,607.13** | **11,710.17** | **12,651.42** |

***Note***:

1. This does not include share application money pending allotment of ₹ 8.36 million.

**LIQUIDITY AND CAPITAL RESOURCES**

We have funded our liquidity and capital requirements through shareholder capital and funds generated from operations, subordinated debentures and bonds and borrowings.

**Regulatory Capital, Risk Weighted Assets and CRAR**

The following table sets out our Company's CRAR on a standalone basis for the periods indicated.

| | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | |
| | | | | |
| CRAR – Tier I capital (%) | 14.23 | 16.26 | 16.28 | 15.16 |
| CRAR – Tier II capital (%) | 4.40 | 7.27 | 5.88 | 5.06 |
| **Total CRAR (%)** | **18.63** | **23.53** | **22.16** | **20.22** |

**Material Capital Raisings**

In March 2014, the Company issued 11,607,145 Equity Shares of ₹ 10 each at the premium of ₹ 143.80 each on a preferential basis to Cloverdell Investment Ltd and HDFC Standard Life Insurance Company Limited. The gross proceeds from the issue were ₹ 1,785.18 million.

**Cash Flows**

The following table summarizes our statements of cash flows for the periods presented:

(₹ in millions)

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2013 | Year ended March 31, 2014 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|---|
| Net Cash Flow (Used in) / Generated from Operating Activities (**A**) | (15,930.20) | (6,157.30) | (12,340.82) | (12,226.70) | (12,943.86) |
| Net Cash Flow (Used in) / Generated from Investing Activities (**B**) | 3,144.56 | (446.58) | (2,941.58) | 1,998.76 | (356.97) |
| Net Cash Flow (Used in) / Generated from Financing Activities (**C**) | 4,043.12 | 7,329.67 | 23,498.42 | 16,885.06 | 14,902.45 |
| **Net (Decrease) / Increase in Cash and Cash Equivalents during the period (A+B+C)** | (8,742.52) | 725.79 | **8,216.02** | **6,657.12** | **1,601.62** |
| Cash and Cash Equivalents at beginning of the period | 19,929.11 | 11,713.09 | 11,713.09 | 5,055.97 | 3,454.34 |
| **Cash and Cash Equivalents at end of the period** | 11,186.59 | 12,438.88 | **19,929.11** | **11,713.09** | **5,055.96** |

***Operating Activities***

Our net cash used in operating activities was ₹ 15,930.20 million for the nine months ended December 31, 2014, which was primarily due to a net increase in loans and advances and other assets of ₹ 18,199.30 million, which was partially offset by an increase in trade payables and other liabilities of ₹ 1,788.41 million.

Our net cash used in operating activities was ₹ 6,157.30 million for the nine months ended December 31, 2013, which was primarily due to a net increase in loans and advances and other assets of ₹ 11,251.42 million, which was partially offset by an increase in trade payables and other liabilities of ₹ 5,051.04 million.

Our net cash used in operating activities was ₹ 12,340.82 million for the financial year 2014, which was primarily due to an increase in loans and advances of ₹ 14,053.32 million, which was partially offset by an increase in trade payables and other liabilities of ₹ 1,801.07 million.

Our net cash used in operating activities was ₹ 12,226.70 million for the financial year 2013, which was primarily on account of an increase in loans and advances of ₹ 12,046.92 million.

Our net cash used in operating activities was ₹ 12,943.86 million for the financial year 2012, which was primarily on account of an increase in loans and advances of ₹ 16,082.83 million and ₹ 2,301.62 million used to purchase other assets, which was partially offset by an increase in trade payables and other liabilities of ₹ 4,498.75 million.

***Investing Activities***

Net cash generated from investing activities was ₹ 3,144.56 million for the nine months ended December 31, 2014, mainly due to net proceeds of ₹ 3,604.46 million earned from the sale of investments.

Net cash used in investing activities was ₹ 446.58 million for the nine months ended December 31, 2013, mainly due to the net purchase of investments of ₹ 930.00 million, which was partially offset by interest earned on fixed deposits and investments of ₹ 362.51 million and decrease in fixed deposits of ₹ 75.26 million.

Net cash used in investing activities was ₹ 2,941.58 million for the financial year 2014, mainly due to the purchase of fixed assets, including intangible assets and capital work in progress, of ₹ 49.27 million and the purchase of ₹ 58,297.56 million of investments. This was partially offset by the sale of investments of ₹ 54,917.37 million, interest earned on fixed deposits and investments of ₹ 472.19 million and the proceeds earned from the sale of fixed assets of ₹ 24.39 million.

Net cash generated from investing activities was ₹ 1,998.76 million for the financial year 2013, as a result of the proceeds of ₹ 2,890.44 million earned from the sale of investments, and the sale proceeds from fixed assets of ₹ 4.67 million. This was partially offset by the purchase of investments of ₹ 792.25 million and the purchase of ₹ 104.10 million of fixed assets, including intangible assets and capital work in progress.

Net cash used in investing activities was ₹ 356.97 million for the financial year 2012, as a result of the purchase of fixed assets of ₹ 224.17 million, including intangible assets and capital work in progress, and investments of ₹ 2,660.31 million. This was partially offset by ₹ 2,522.65 million received from the sale of investments and ₹ 4.86 million received from the sale of fixed assets.

***Financing Activities***

Net cash generated from financing activities was ₹ 4,043.12 million for the nine months ended December 31, 2014, primarily due to proceeds from borrowings of ₹ 3,966.93 million

Net cash generated from financing activities was ₹ 7,329.67 million for the nine months ended December 31, 2013, primarily due to proceeds from borrowings of ₹ 7,532.76 million. This was partially offset by payment of dividends of ₹ 127.84 million.

Net cash generated from financing activities was ₹ 23,498.42 million for the financial year 2014, primarily due to proceeds from long term borrowings and short term borrowings of ₹ 27,843.00 million and ₹ 6,532.00 million, respectively, and proceeds from the issue of equity share capital and share application money pending allotment of ₹ 1,785.18 million and ₹ 8.36 million, respectively. This was partially offset by payment of dividends of ₹ 127.84 million and repayment of long term and short term borrowings of ₹ 9,886.54 million and ₹ 2,570.44 million, respectively.

Net cash generated from financing activities was ₹ 16,885.06 million for the financial year 2013, mainly due to proceeds from borrowings of ₹ 22,252.75 million, ₹ 507.41 million received from issue of Equity Shares and ₹ 500.00 million received from the issue of compulsorily convertible preference shares. This was partially offset by repayment of borrowings of ₹ 6,060.30 and payment of securities issue expenses of ₹ 201.54 million.

Net cash generated from financing activities was ₹ 14,902.45 million for the financial year 2012, primarily as a result of proceeds from borrowings of ₹ 20,222.39 million, which was partially offset by repayment of borrowings of ₹ 5,207.00 million and payment of dividend and dividend tax of ₹ 97.18 million and ₹ 15.76 million, respectively.

**Maturity Pattern of Assets and Liabilities on a Standalone Basis**

The following table sets for the maturity pattern of our borrowings, advances and investments as at March 31, 2014 on a standalone basis.

**(₹ in millions)**

| Particulars | Total | One day to 30/31 days (one month) | Over one month up to two months | Over two months up to three months | Over three months up to six months | Over six months up to one year | Over one year up to three years | Over three years up to five years | Over five years |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | |
| Borrowings from banks | **74,128.53** | - | 300.00 | 2,434.38 | 3,130.21 | 21,987.28 | 29,207.93 | 15,721.33 | 1,347.40 |
| Market borrowings[(1)] | **10,063.75** | - | - | - | 324.00 | 596.75 | 3,743.00 | 2,000.00 | 3,400.00 |
| **Assets** | | | | | | | | | |
| Advances[(2)] | **68,857.91** | 2,389.46 | 1,258.09 | 2,245.11 | 4,348.31 | 12,500.55 | 25,820.04 | 7,464.67 | 12,831.68 |
| Investments | **12,948.67** | 5,239.11 | 4,447.56 | 2,458.01 | - | 321.05 | - | - | 482.93 |

**Notes:**

1. Borrowings other than from banks, including debentures and commercial paper.

2. Includes interest bearing loans. As at March 31, 2014, the Company's total interest bearing loans on a standalone basis was

₹ 68,636.99 million.

**CONTINGENT LIABILITIES AND COMMITMENTS**

Our contingent liabilities, as per AS 29 issued by the Institute of Chartered Accountants in India on "Provisions, Contingent Liabilities and Contingent Assets", not provided for as at the periods indicated are as mentioned in the table below:

**(₹ in millions)**

| Particulars | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | |
| Guarantees given by banks on behalf of the Group | 60.00 | 97.50 | - | - |
| Corporate guarantee given by the Group to banks | 90.00 | 190.00 | 90.00 | 90.19 |
| Liability on account of retail trades | 1.78 | 2.08 | 1.90 | - |
| Income tax matters under dispute | 23.15 | 36.23 | 36.23 | 51.97 |

Our commitments as at the periods indicated are as mentioned in the table below:

**(₹ in millions)**

| Particulars | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | |
| Estimate amount of contracts remaining to be executed on capital account and not provided for | 29.19 | 20.52 | 19.50 | 15.26 |
| Commitments relating to loans sanctioned but undrawn | 2,820.18 | 1,582.05 | 1,208.40 | 1,327.28 |

**OFF-BALANCE SHEET ARRANGEMENTS**

Except for loans that are assigned by us to banks and other financial institutions, we have no other off-balance sheet arrangements that materially affect our results of operations or profitability.

The table below sets forth summary details of our assigned loans, on a standalone basis, as at the dates indicated.

**(₹ in millions)**

| Particulars | As at March 31, | | | As at December 31, 2014 |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | |
| Book value of loan assets directly assigned | 14,657.45 | 5,758.70 | 16,903.60 | 7,854.08 |
| Sale consideration received | 15,498.04 | 5,758.70 | 16,903.60 | 7,854.08 |
| Income on account of direct assignment (net) | 581.89 | 283.38 | 30.90 | 158.34 |
| Outstanding credit enhancement – fixed deposit | 1,376.61 | 1,666.71 | 1,602.10 | 1,551.36 |

**RELATED PARTY TRANSACTIONS**

For details in relation to related party transactions entered by our Company during the last three financial years, as per the requirements under AS 18 issued by the Institute of Chartered Accountants in India, see "Financial Statements" on pages F-1 to F-162.

## CONTRACTUAL OBLIGATIONS

### Operating Leases

Our significant leasing arrangements in respect of operating leases are for premises (residential and office) and vehicles, which are renewable on mutual consent at agreed terms. Certain agreements provide for cancellation by either party or certain agreements contains clause for escalation and renewal of agreements. The non-cancellable operating lease agreements are ranging for a period 36 to 60 months. There are no sub-leases.

The following table details our payment obligations under our non-cancellable leases as at March 31, 2014.

**(₹ in millions)**

| | Total | Less than One Year | One to Five Years | After Five Years |
|---|---|---|---|---|
| Minimum lease payments | **191.04** | 79.00 | 112.04 | - |

### Borrowings

For details our payment obligations under our borrowings as at March 31, 2014, see the table above under "-Maturity Pattern of Assets and Liabilities on a Standalone Basis".

## INTEREST COVERAGE RATIO

The following table sets our interest coverage ratio as of March 31, 2012, 2013 and 2014. This ratio is typically used to measure the debt servicing ability of a corporate and is not relevant to a NBFC.

| | As at March 31, | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| Interest coverage ratio[1] | 1.34 | 1.19 | 1.17 |

**Note:**

1. Our interest coverage ratio is our profit after tax adjusted for finance costs and non-cash items and divided by finance cost.

## QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Our risk management committee regularly reviews the risks we face in our business to come up with measures that can address issues such as systemic risks to our business, portfolio or balance sheet arising from credit quality, liquidity and interest rate movements.

The key market risks and risk-mitigation principles we apply to address these risks are summarized below.

### Interest Rate Risk

We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. Currently, as per our asset liability management strategy, we generally fund our lending in our long-term MSME Loan portfolio, which have floating interest rates, with long-term borrowings from banks at floating interest rates. Our other loan products, which are usually short term and fixed interest rate loans in nature are generally funded by fixed interest rate borrowings that are short term as well as long term in nature. However, if we are unable to match our lending portfolio with our borrowings, we would be exposed to interest rate risks as a result of lending to customers at interest rates and in amounts and for periods that may differ from our funding sources. Any increase in the interest rates applicable to our liabilities without a corresponding increase in the interest rates applicable to our assets will result in a decline in our net interest margin and would have an adverse effect on our results of operations.

### Liquidity Risk

Liquidity risk arises due to non-availability of adequate funds or non-availability of adequate funds at an appropriate cost, or of appropriate tenure, to meet our business requirements. This risk is minimized through a mix of strategies,

including assignment of our loans. During the last two years, we have focused on diversifying our borrowing portfolio and reached out to provident funds, pension funds and superannuation funds for raising debts through debentures at attractive rates.

We place a high priority on maintaining high structural liquidity at all times and monitor liquidity risk through our asset liability management function, which is under our the treasury operations. We follow a policy of aiming to match funding, with the help of liquidity gap reports.

**Credit Risk**

Credit risk is the risk of loss that may occur from the default by our customers under the loan agreements with us. Our credit policies are decided by our credit policy team.

We have a policy of delinquency triggers to help maintain asset quality. We monitor our loans and follow up when any delinquencies triggered.

Our extensive local presence also enables us to maintain regular direct contact with our customers through our collection team and sales team.

For further details of our credit risk management, see "Business – Credit Risk Management".

**MATERIAL DEVELOPMENTS AFTER DECEMBER 31, 2014**

We previously extended Gold Loans. In February 2015, we decided to discontinue our Gold Loans business. As of December 31, 2014, the Gold Loan portfolio constituted 4.10% of our total AUM and we had 43 exclusive Gold Loan branches. Since December 31, 2014, we have closed some of our exclusive Gold Loan branches and reassigned some of the employees working in those branches to other product lines, primarily MSME Loans.

## INDUSTRY OVERVIEW

*Unless otherwise indicated, all financial and statistical data in this section is derived from websites of and publicly available documents from various sources, including but not limited to, the Reserve Bank of India ("**RBI**"), the Ministry of Finance and the Ministry of Micro, Small and Medium Enterprises. Certain data in this section is also derived from reports from CRISIL Research, the International Finance Corporation and the India Brand Equity Foundation, and the data from CRISIL Research is subject to the disclaimer set out below. The data may have been re-classified by us for the purpose of presentation.*

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### OVERVIEW OF THE INDIAN ECONOMY

With an estimated population of 1.25 billion in 2013, India had a gross domestic product ("**GDP**") on a purchasing power parity basis of approximately US$ 4.99 trillion. This made the Indian economy the fourth largest in the world after the United States, the European Union and China. *(Source: the U.S. Central Intelligence Agency's World Factbook)*

The table below sets forth certain macroeconomic and financial indicators for the Indian economy for the periods indicated.

| MACROECONOMIC AND FINANCIAL INDICATORS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Item** | **Average FY 2004 to FY 2008 (5 years)** | **Average FY 2010 to FY 2014 (5 years)** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** |
| I. | Real Economy | | | | | | |
| | I.1 Real GDP at factor cost (% change) | 8.7 | 6.7 | 8.9 | 6.7 | 4.5 | 4.7 |
| | I.2 Real GDP at market prices (% change) | 8.8 | 7.0 | 10.3 | 6.6 | 4.7 | 5.0 |
| | I.3 Foodgrains Production (Million tonnes) | 213.6 | 248.8 | 244.5 | 259.3 | 257.1 | 264.8 |
| | I.4 Food Stocks (Million tonnes) | | | | | | |
| | a) Procurement | 38.4 | 60.8 | 56.8 | 66.4 | 72.2 | 50.8 |
| | b) Off-take | 41.5 | 55.6 | 52.9 | 56.3 | 62.8 | 57.4 |
| | c) Stocks at end-March | 18.6 | 50.1 | 44.4 | 53.4 | 59.8 | 49.5 |
| | I.5 Index of Industrial Production (% change) | 11.2 | 3.5 | 8.2 | 2.9 | 1.1 | -0.1 |
| | I.6 Core Industries (% change) | 5.9 | 5.6 | 6.6 | 5.0 | 6.5 | 3.1 |
| | I.7 Gross Domestic Saving Rate (% of GDP at current market prices) | 33.3 | 32.2# | 33.7 | 31.3 | 30.1 | .. |
| | I.8 Gross Domestic Investment Rate (% of GDP at current market prices) | 33.6 | 35.8# | 36.5 | 35.5 | 34.8 | .. |
| II. | Prices | | | | | | |
| | II.1 Consumer Price Index (CPI) Combined (Average % Change) | .. | .. | .. | .. | 10.2 | 9.5 |
| | II.2 CPI- Industrial Workers (average % change) | 5.0 | 10.3 | 10.4 | 8.4 | 10.4 | 9.7 |
| | II.3 Wholesale Price Index (average % change) | 5.5 | 7.1 | 9.6 | 8.9 | 7.4 | 6.0 |
| III. | Money and Credit | | | | | | |
| | III.1 Reserve Money (M0) (% change) | 20.4 | 12.1 | 19.1 | 3.6 | 6.2 | 14.4 |
| | III.2 Broad Money (M3) (% change) | 18.6 | 14.7 | 16.1 | 13.5 | 13.6 | 13.2 |
| | III.3 Scheduled Commercial Banks | | | | | | |
| | a) Aggregate Deposits (% change) | 20.2 | 15.0 | 15.9 | 13.5 | 14.2 | 14.1 |
| | b) Bank Credit (% change) | 26.7 | 16.7 | 21.5 | 17.0 | 14.1 | 13.9 |
| IV. | Financial Markets | | | | | | |
| | IV.1 Interest rates (%) | | | | | | |
| | a) Call / Notice Money rate | 5.6 | 7.2 | 5.8 | 8.2 | 8.1 | 8.3 |
| | b) 10 year G-Sec yield | 7.0 | 8.0 | 7.9 | 8.4 | 8.2 | 8.4 |
| | c) 91-Days T-bill yield | | | 7.3 | 9.0 | 8.2 | 8.9 |
| | d) Weighted Average interest rate on Central Government Borrowings | | | 7.9 | 8.5 | 8.4 | 8.5 |
| | e) Commercial Paper | 7.7 | 8.4 | 8.6 | 9.8 | 9.2 | 9.3 |

*(Source: Annual Report 2013-14, Reserve Bank of India)*

**Second Quarter Assessment of Financial Year 2015: Monetary Policy**

***Production***

The growth of industrial production slumped in July 2014, as the production of capital goods followed consumer durables into contraction. Exports cushioned the fall in manufacturing output, with RBI's industrial outlook survey indicating an increase in export orders. It is anticipated that there will be 12% less rain from the south west monsoon, this will weigh on the kharif crop, due to the south west monsoon's uneven distribution. While there are drought-like conditions in some major production zones in the north-west region, there are floods in both the northern and eastern regions. In the services sector, the purchasing managers' index points to uncertainty about the future prospects of the sector. While there has been improved business sentiment generally, any optimism on the growth of the Indian economy should be tempered by the need for a step-up in investment. The resumption of stalled projects should provide a boost to inventory and capital expenditure cycles, both reducing distressed bank loan as well as revitalising growth in the Indian economy.

***Inflation***

Retail inflation as measured by the consumer price index ("**CPI**") came off the spike in July 2014 (which resulted from an increase in vegetable prices) and eased in all major groups except food. Large and persistent upside pressures on food prices have resulted in their contribution rising to almost 60% of headline inflation in August 2014. The continued impact of the skewed rainfall distribution from the south west monsoon increases the risks of further inflation to the price of food, despite the fall in vegetable prices since July 2014. The CPI excluding food and fuel has fallen mainly on account of sharp a drop in demand for transport, communication and household based expenditures. While lower oil prices, a stable Indian Rupee, and a negative output gap continues to put downward pressure on the CPI, uncertain future food prices and the potential timing and magnitude of administrative price revisions impart uncertainty to the Indian inflation outlook.

***Liquidity***

Liquidity conditions in India have remained broadly balanced, except for temporary tightness in the second half of July 2014 and early August 2014 due to delayed Government expenditure. With credit growth falling well below deposit growth in August and September 2014, pressures from structural sources of liquidity have also eased. RBI's average recourse to liquidity (measured from RBI's liquidity adjustment facility, term repurchase agreements ("**Repos**"), and marginal standing facility), decreased from ₹ 870 billion in July 2014 to ₹ 795 billion during August 2014 and further to ₹ 450 billion during September 2014. RBI revised its liquidity management framework with effect from September 5, 2014, with more frequent 14 day term Repos and daily overnight variable rate Repo operations, to ensure flexibility, transparency and predictability in liquidity management operations.

***Credit***

Despite liquidity conditions and deposit growth remaining comfortable, non-food credit growth decelerated in September 2014 to the lowest level of credit growth since June 2001. This lack of credit growth can be attributed to a variety of factors, including: (i) Indian companies having increased their financing through alternative sources like commercial paper, foreign direct investment and external commercial borrowing; (ii) lower net bank credit due to the repayment of loans by entities that have received payments from the Government and public companies; (iii) reduced borrowing from oil marketing companies; and (iv) the balance sheet restructuring, repaying of stressed loans or increased risk aversion on the part of public sector banks. As the investment cycle gathers momentum and overall demand picks up, banks will need to prepare to meet financing requirements of Indian companies.

***Current Account***

Incoming data suggest that the current account deficit, placed at 1.7% of GDP for the first quarter of 2014-2015 may remain contained in the second quarter. Between April 2014 to August 2014, the trade deficit was narrower than a year ago, notwithstanding a slowdown in export growth in July 2014 and August 2014 and a strengthening of non-oil non-gold import growth to its highest level since March 2013. The improvement in the trade balance has benefited from the fall in the value of gold imports. Even as the external financing requirement of India remains moderate, all categories of capital flows remain buoyant. As a result, there has been gradual growth in international reserves, even though reserves denominated in US dollars have decreased due to the strength of the US dollar. *(Source: Fourth Bi-monthly Monetary Policy Statement, 2014-2015, Reserve Bank of India)*

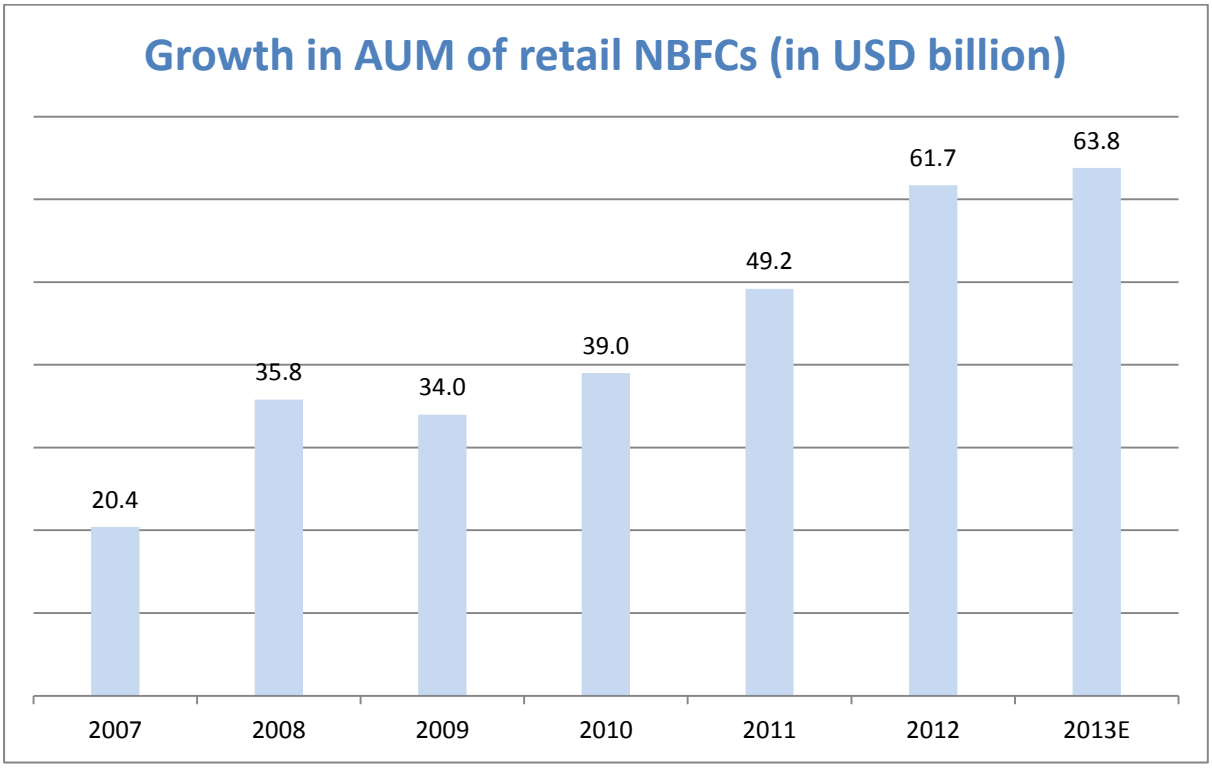
**NON-BANKING FINANCE COMPANIES**

Non-banking finance companies ("**NBFCs**") are an integral part of India's financial system, catering to a large market of niche customers, and have emerged as one of the major purveyors of retail and MSME (defined below) credit in India. It is a heterogeneous group of institutions (other than commercial and co-operative banks) performing financial services in a variety of ways, including but not limited to the accepting of deposits, making of loans and advances, providing leasing/hire purchase services. *(Source: Annual Report 2013-14, Reserve Bank of India)*

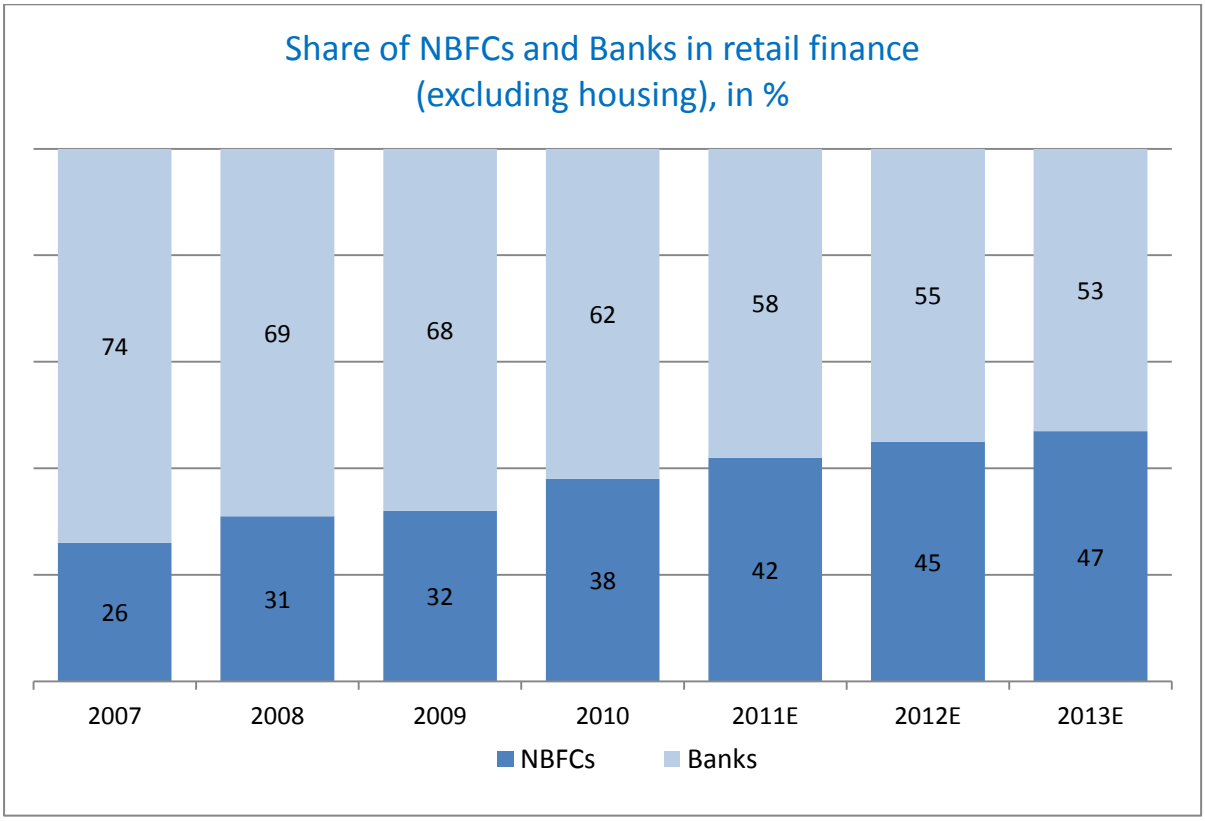
NBFCs as a whole accounted for 13.0% of bank assets as on March 31, 2013. With the growing importance assigned to financial inclusion, NBFCs have been regarded as important financial intermediaries particularly for the small-scale and retail sectors. There are two broad categories of NBFCs based on whether they accept public deposits, namely deposits taking NBFCs ("**NBFC-D**") and non-deposit taking NBFCs ("**NBFC-ND**"). The total number of NBFCs registered with RBI declined from 12,385 as at the end of June 2012 to 12,225 as on 30 June 2013. The number of NBFC-Ds declined from 271 to 254 during the same period, and the number of systemically important NBFC-NDs ("**NBFC-ND-SI**") increased from 370 to 417 during the same period. *(Source: Financial Intermediation, Economic Survey 2013-2014, Ministry of Finance)*

**NBFCs and Retail Finance**

NBFCs are rapidly gaining prominence as intermediaries in the retail finance space. NBFCs finance more than 80 per cent of equipment leasing and hire purchase activities in India. In FY2012, 12,385 NBFCs were registered with India, with total assets at USD 26 billion. The AUM of NBFCs in retail finance tripled during 2007-12. AUM is estimated to grow by 17.0 per cent in FY13.




*(Source: Report on Financial Services dated March 2014, India Brand Equity Foundation)*




*(Source: Report on Financial Services dated March 2014, India Brand Equity Foundation)*

Vehicle finance is the major segment accounting for more than over one-third of the gross assets of NBFCs, followed by loans against property and gold loans. The share of NBFCs in total gold loans doubled from 13 per cent at-end April 2008 to 27 per cent as of FY12. Gold loan NBFCs expanded at a CAGR of 89 per cent over FY08-FY12. Total Assets of gold loan NBFCs were USD 9.5 billion in FY12 compared to USD 0.9 billion in FY08. *(Source: Report on Financial Services dated March 2014, http://www.ibef.org/download/Financial-Services-March-2014.pdf, India Brand Equity Foundation)*

**Recent Regulatory Changes / Recommendations**

***NBFCs Engaged in Lending Against Gold***

NBFCs that engage in lending against gold have been directed by the Reserve Bank of India to limit their loan to value ("**LTV**") for gold loans to 60% and raise Tier l capital to 12% by April 1, 2014. They have also been prohibited from granting loans against bullion or primary gold and gold coins. *(Source: Notification RBI/2011-12/467, Reserve Bank of India)* Banks have also been advised to reduce their exposure ceiling on NBFCs, which have gold loans making up 50% or more of its total assets, from the existing 10% to 7.5% of such banks' capital funds, with certain concessions to the infrastructure sector. *(Source: Master Circular RBI/2013-2014/56, Reserve Bank of India)* In addition, in order to strengthen the internal controls, such NBFCs have been directed to put in place a board approved policy for lending, encapsulating proper adherence to KYC norms, storage and insurance of gold received as collateral and fair and transparent auction procedures. *(Source: Notification RBI/2013-14/260, Reserve Bank of India)*

***NBFCs Engaged in Lending Against Shares***

NBFCs often lend against shares by way of a pledge of shares in favour of the NBFC, transfer of shares or obtaining a power of attorney on the share accounts of the borrower. Accordingly, default by the borrowers has led to the offloading of the shares in the securities market, which has created avoidable volatility. From August 21, 2014, NBFCs lending against shares shall maintain a LTV ratio of 50% and accept only Group 1 securities (specified in SMD/Policy/Cir - 9/2003 dated March 11, 2003, as amended from time to time, issued by SEBI) as collateral for loans of value more than ₹ 0.50 million, subject to review by RBI. In addition, all NBFCs with asset size of ₹ 1,000 million and above are to report to the stock exchange, information on the shares pledged in said NBFCs' favor. *(Source: Notification RBI/2014-15/186, Reserve Bank of India)*

**THE MSME SECTOR IN INDIA**

The micro, small and medium enterprise ("**MSME**") sector is a significant part of the Indian economy. MSMEs not only play a crucial role in providing employment opportunities at comparatively less capital cost than large industries, but also act as the catalyst for the industrialization of rural and backward areas, facilitating the reduction of regional imbalances and the more equitable distribution of national income and wealth. MSMEs are also complementary to large industries as ancillary units and are critical to the socio-economic development of India. *(Source: Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises)* These enterprises help to build a thriving entrepreneurial eco-system, as well as promote the use of indigenous technologies.

However, even though the MSME sector has been exhibiting consistent growth, it has done so in a constrained environment often resulting in inefficient resource utilization. Of the many challenges impeding the growth and development of MSMEs, inadequate access to financial resources is a key bottlenecks that make these enterprises vulnerable, particularly in periods of economic downturn. *(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012 dated November 2012, International Finance Corporation)*

**Definition of the MSME Sector**

The term "MSME" is widely used to describe small businesses in the private sector. Regulators and financial institutions across the world use parameters such as employee strength, annual sales, value of fixed assets, and loan size proxies to define the sector in the context of finance. In India, the Micro, Small and Medium Enterprise Development Act 2006 ("**MSMED Act**") of the Government of India provides the definition of the MSME sector. An extension of the erstwhile definition of Small Scale Industry ("**SSI**"), this classification uses the investment metric to define MSMEs because investment in plant and machinery can be measured and verified. The MSMED Act broadly segments the MSME sector by way of the following category ceilings and ranges:

**Initial Investment in Plant and Machinery**

**(in ₹ Million)**

| Category/ Enterprise Size | Micro | Small | Medium |
|---|---|---|---|
| **Manufacturing** | <2.5 | 2.5 – 50 | 50– 100 |
| **Services** | <1 | 1 – 20 | 20– 50 |

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

Although the above definition in the MSMED Act uses references to investments in plant and machinery, which are tangible and measurable, it provides limited information on the financial appetite and performance of an enterprise. Many financial institutions prefer to use the annual sales/revenue of enterprises to segment and target MSMEs, and as a key parameter for product development and risk management. An indicative definition is as follows:

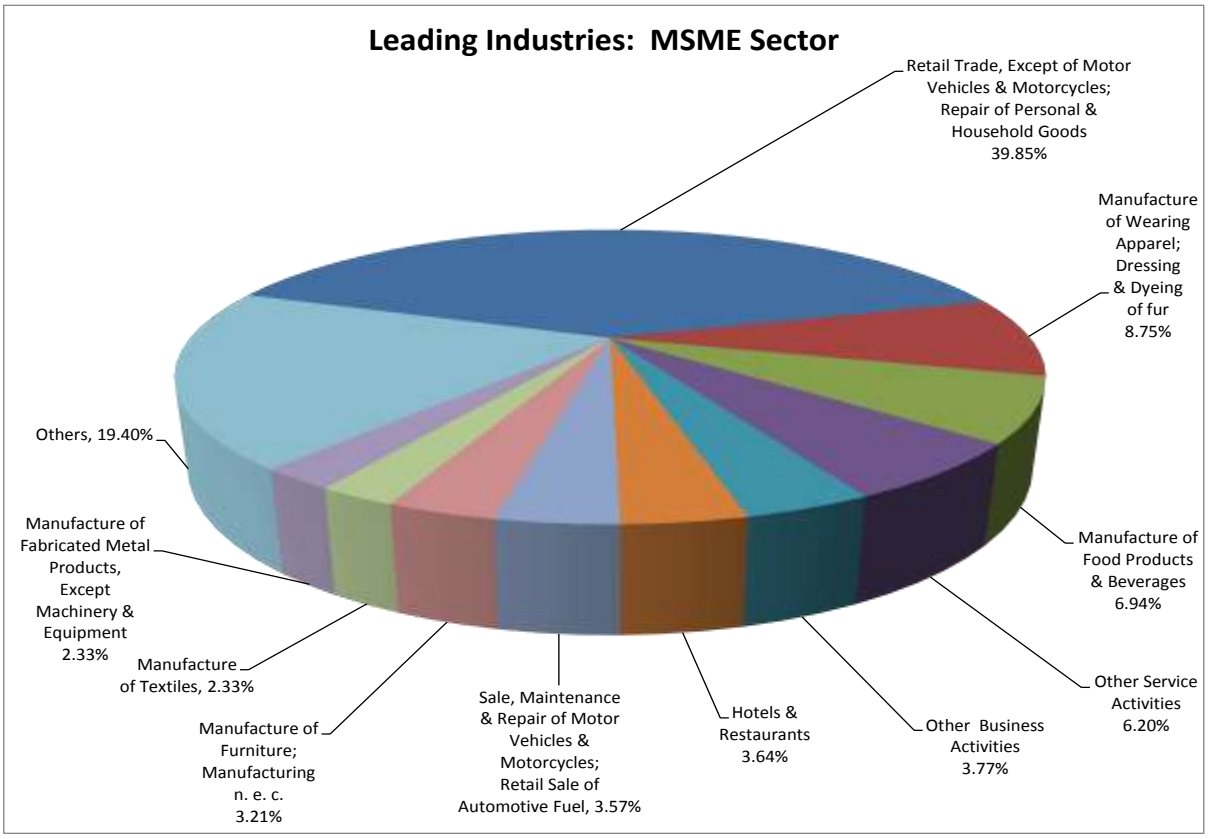
| **Internal Definitions used by Banks for MSME (Indicative)** | | | | | | |
|---|---|---|---|---|---|---|
| Enterprise Size | Micro | | Small | | Medium | |
| Institution Type | Turnover (₹ Million) | Credit Size (₹ Million) | Turnover (₹ Million) | Credit Size (₹ Million) | Turnover (₹ Million) | Credit Size (₹ Million) |
| Private Commercial Banks | 1.5 - 50 (30,000 - 1 Million) | 0.2 - 1 (4,000 - 20,000) | 50 - 200 (1 Million - 4 Million) | 5 - 150 (0.1 Million - 3 Million) | 200 - 2000 (4 Million - 40 Million) | 50 - 200 (1 Million - 4 Million) |
| Non-Banking Finance Companies | 0.05 - 1 (1,000 - 20,000) | 1 - 5 (20,000 - 0.1 Million) | 5 - 25 (0.1 Million - 0.5 Million) | 0.3 - 5 (6,000 - 0.1 Million) | 10 - 1000 (0.2 Million - 20 Million) | 2.5 - 50 (50,000 - 1 Million) |

** Figures in brackets are in USD*

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

***Leading MSME Industries***

The MSME sector is responsible for the manufacture of over 6,000 products as well as a wide range of services. The leading MSME industries with their respective share of the MSME sector are set out in the pie chart below:




*(Source: Annual Report 2013-14, Ministry of Micro, Small and Medium Enterprises)*

**Performance of the MSME Sector**

The latest census conducted on the MSME sector was the "**Fourth All India Census**" (the collection of the census data began in 2006 and was completed in 2009 and the results of the census were published in the financial year 2012). The Fourth All India Census is the first census conducted post implementation of the MSMED Act. Prior to the MSMED Act, the sector was defined as the small scale industries sector. The scope and coverage of the MSME sector were broadened significantly under the MSMED Act, recognizing the concept of "enterprise" and including both manufacturing and services sector. This change in coverage, subject to the criteria of MSMEs, brought the entire non-agricultural sector of the India economy under the coverage of MSME sector.

**Performance of the MSME Sector**

| **Year** | **Total Working Enterprises** (₹ in Lakh) | **Employment** (₹ in Lakh) | **Market Value of Fixed Assets** (₹ in Crore) |
|---|---|---|---|
| 2006-07 | 361.76 | 805.23 | 868,543.79 |
| 2007-08# | 377.36 | 842.00 | 920,459.84 |
| 2008-09# | 393.70 | 880.84 | 977,114.72 |
| 2009-10# | 410.80 | 921.79 | 1,038,546.08 |
| 2010-11# | 428.73 | 965.15 | 1,105,934.09 |
| 2011-12# | 447.66 | 1,011.80 | 1,183,332.00 |
| 2012-13# | 467.56 | 1,061.52 | 1,269,338.02 |

*# Projected figures*

*(Source: Annual Report 2013-14, Ministry of Micro, Small and Medium Enterprises)*

***Contribution of MSME (Manufacturing) Sector to India's GDP***

Based on the results of the Fourth All India Census, the estimated value of manufacturing output of the MSME sector and its share of the total manufacturing output and GDP of India is set out in the table below:

| Year | Gross Value of Output (₹ in Crore) | Percentage Share of MSME# | |
|---|---|---|---|
| | | Total Manufacturing Output | Gross Domestic Product (GDP) |
| 2006-07 | 1,198,817.55 | 42.02 | 7.73 |
| 2007-08 | 1,322,960.41 | 41.98 | 7.81 |
| 2008-09 | 1,375,698.60 | 40.79 | 7.52 |
| 2009-10 | 1,488,390.23 | 39.63 | 7.49 |
| 2010-11 | 1,655,580.60 | 38.48 | 7.42 |
| 2011-12* | 1,790,804.67 | 37.52 | 7.28 |

*# based on 2004-2005 prices*
** projected figures*

*(Source: Annual Report 2013-14, Ministry of Micro, Small and Medium Enterprises)*

**DEMAND FOR FINANCING IN MSME SECTOR**

According to the research study by the International Finance Corporation on "Micro, Small and Medium Enterprise Finance in India" dated November 2012, the overall demand for finance in the MSME sector is estimated to be ₹ 32.5 trillion (US$ 650 billion). The majority of finance demand from these enterprises is in the form of debt, estimated at approximately ₹ 26 trillion (US$ 520 billion). Total demand for equity in the MSME sector is ₹ 6.5 trillion (US$ 130 billion), which makes up 20% of the overall demand.

**Overall Finance Demand in MSME Sector (in ₹ Trillion)***

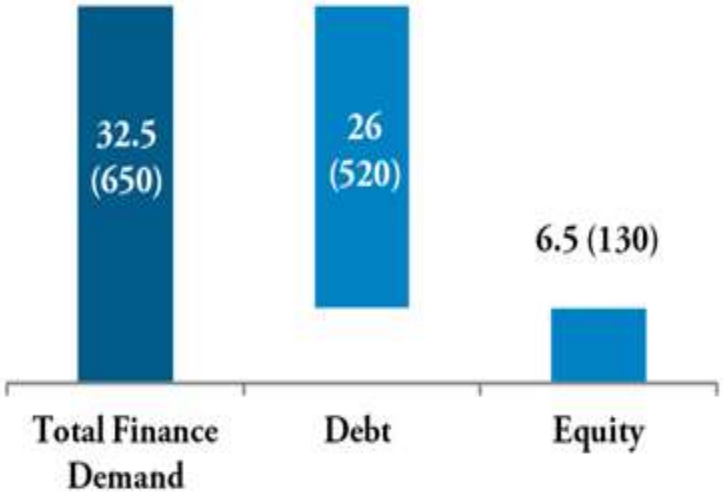
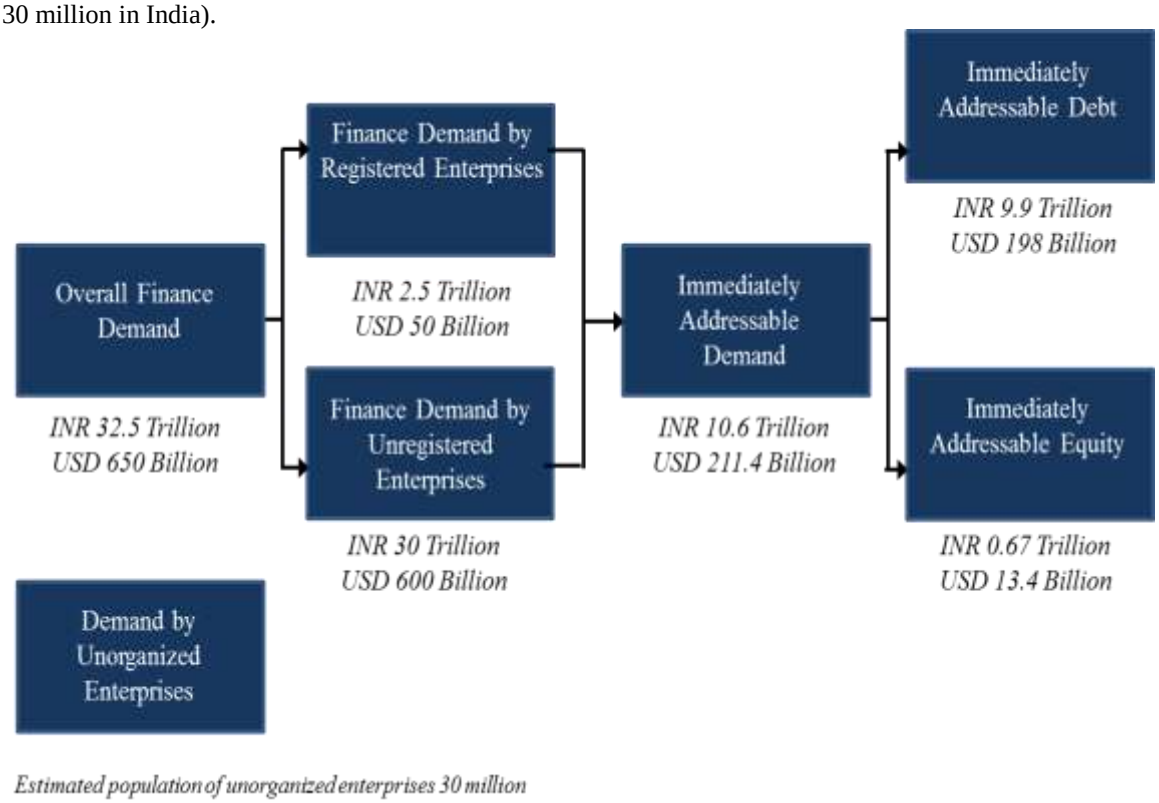



**Figure in brackets is in USD Billion*

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

The MSME sector has high leverage ratios with average debt-equity ratio of approximately 4:1. But these leverage ratios are not even across the sector and variations exist based on the size of the enterprise. For instance medium-scale enterprises exhibit a more balanced debt-equity ratio of approximately 2:1.

Unregistered enterprises (MSMEs that do not file their business information with the relevant District Industry Centre), which comprise of approximately 94% of MSMEs, accounts for ₹ 30 trillion (US$ 600 billion) of the total finance demand. This demand estimate does not take into account the demand for finance by unorganized enterprises (unincorporated private enterprises that are owned by individuals and/or households, of which there are approximately 30 million in India).




*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

Debt Demand

Financial institutions have traditionally limited their exposure to the MSME sector due to the perception that these businesses carry higher risk and higher operational cost, as well as limited access to immovable collateral. Although the overall debt demand in the sector is estimated to be ₹ 26 trillion (US$ 520 billion), not all of it can be met by the formal financial sector due to the following reasons:

**Percentage of MSME Debt Demand Not Met by Financial Institutions**

| **Type of enterprises** | **Share of debt demand (in percentage)** |
|---|---|
| Sick enterprises in default | 13% |
| New enterprises with less than one year of operations | 23% |
| Portion of enterprises rejected by formal financial institutions | 1% |

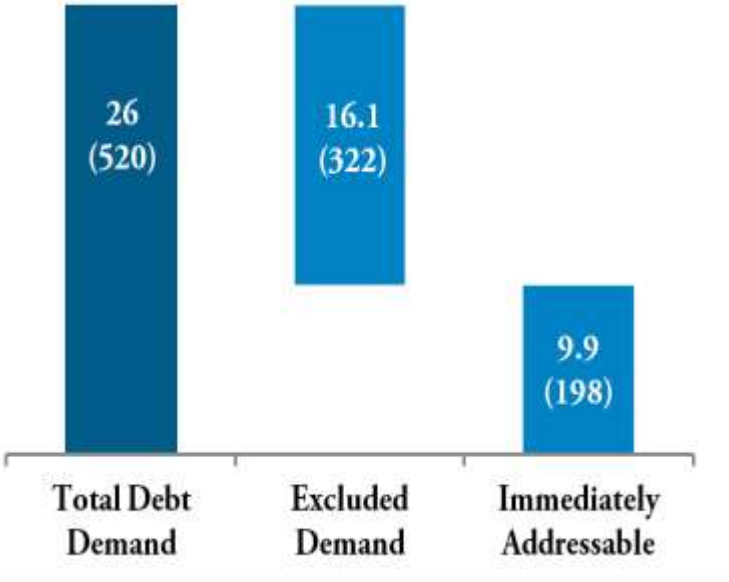
| | |
|---|---|
| Voluntary exclusions of micro services sector enterprise segment | 25% |
| **Total** | **62%** |

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

Approximately 38% of the overall debt demand from MSMEs are from enterprises that suffer from poor financial health and/or have a limited operational history. Additionally, a large number of micro services enterprises such as small retail trade and repair shops account for 25% of the debt demand. These enterprises prefer informal sources to the formal financial institutions due to the ease of access, speed of disbursal and negligible documentation requirements.

Based on the above exclusions, it is estimated that of the total debt demand of ₹ 26 trillion (US$ 520 billion), at least 38 percent or ₹ 9.9 trillion (US$ 198 billion) is the size of the viable demand that can be addressed by the formal financial sector in the near term.

Viable and Addressable Debt Demand in MSME Sector (in ₹ Trillion)*




**Figures in brackets is in USD Billion*

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

Nearly 90 percent of the total viable and addressable debt demand (approximately ₹ 8.9 trillion or US$ 178 billion) is from unregistered enterprises, and the balance demand of ₹ 1 trillion (US$ 20 billion) is from registered MSMEs. Addressable debt is defined as demand for debt that can be serviced by formal financial institutions over a one to two year time frame without undertaking additional efforts to develop the market.

**Finance Gap in the MSME Sector**

The overall finance gap in the MSME sector is estimated to be ₹ 20.9 trillion (US$ 418 billion). The potential demand for external finance is estimated to be ₹ 27.9 trillion (US$ 558 billion), while the total finance channeled by formal financial institutions is estimated to be ₹ 7 trillion (US$ 140 billion). The overall finance (debt and equity) gap of ₹ 20.9 trillion (US$ 418 billion) is split into a debt gap of ₹ 19 trillion (US$ 380 billion) and an equity gap of ₹ 1.9 trillion ($38 billion). The potential demand is estimated to be ₹ 27.9 trillion (US$ 558 billion), after excluding the estimated ₹ 4.6 trillion (US$ 92 billion) of the entrepreneurs' own contributions towards capital expenditure and working capital finance.

**Overall Finance Gap in the MSME Sector**

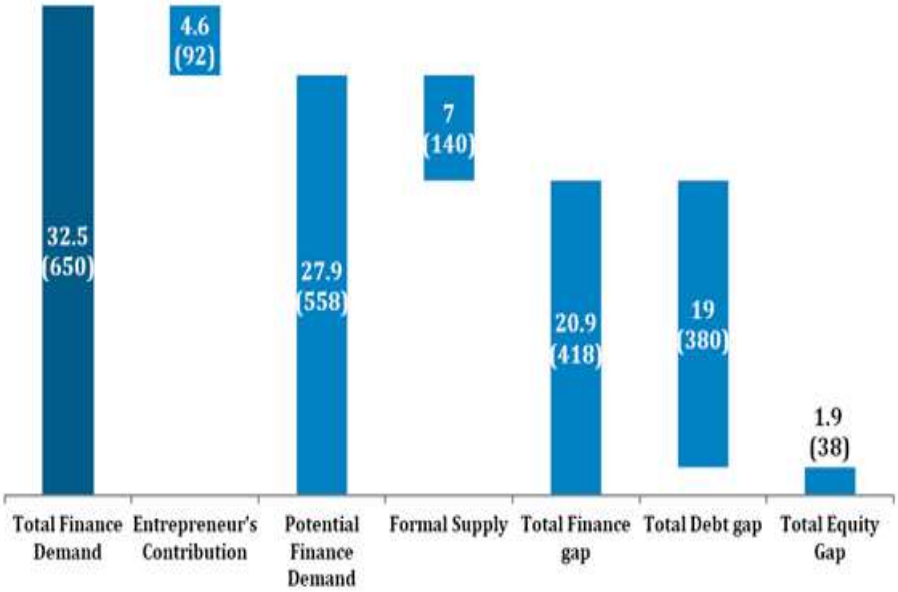



**Figure in brackets is in USD Billion*

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

Viable and Addressable Gap in Debt and Equity

It may not be viable for formal financial institutions to serve all the demand in the sector. After the exclusions to the debt demand, the finance gap in the MSME sector that formal financial institutions consider viable and addressable in the near term is estimated to be ₹ 3.57 trillion (US$ 71.4 billion). The viable and addressable debt and equity gap is estimated to be ₹ 2.93 trillion (US$ 58.6 billion) and ₹ 0.64 trillion (US$ 12.8 billion), respectively.

**Viable and Addressable Finance Gap in the MSME Sector (in ₹ trillion)***

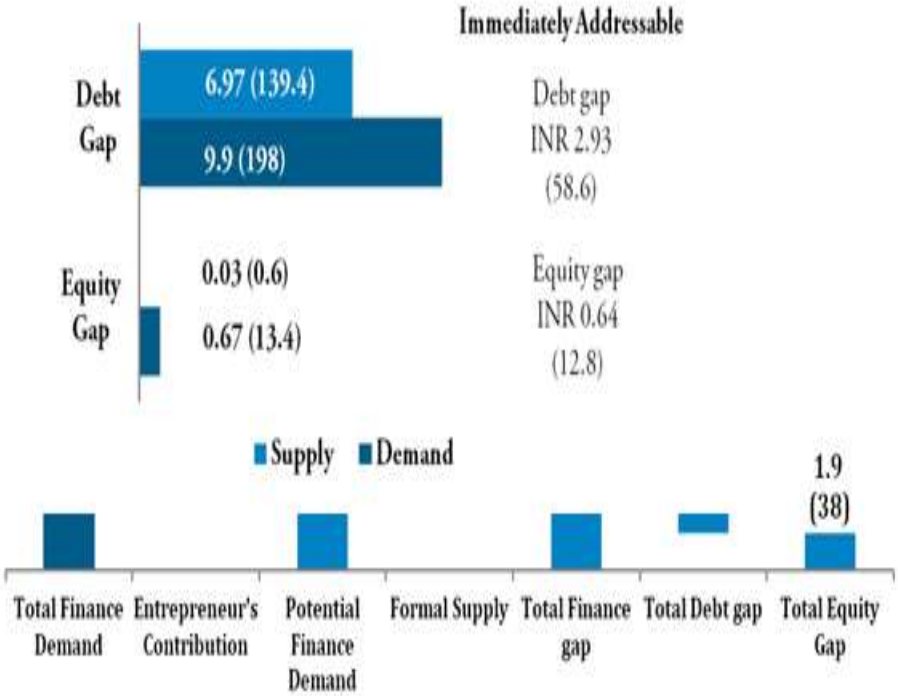



**Figure in brackets is in USD Billion*

*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

**Non Banking Finance Companies**

NBFCs provide an estimated ₹ 0.57 trillion (US$ 11.4 billion) of debt finance to the MSME Sector. The size of credit disbursed per loan ranges from ₹ 0.3 million (US$ 6,000) for micro enterprises to ₹ 50-100 million (US$ 1 million - US$ 2 million) for medium enterprises. A large proportion of such financing arrangements are used for the purchase of assets. A large proportion of MSMEs seeking financing from NBFCs are companies in the transport business. Engineering companies, supply chain vendors and companies in the retail trade are some of the other key industries served by NBFCs.

***Advantages of NBFCs***

Unlike traditional banks, NBFCs are governed by a separate set of regulations, with lower compliance requirements. This allows them several operational advantages as well as greater flexibility to adopt innovative business models. Some key competitive advantages of NBFCs are:-

- the operational structure of NBFCs tend to be more flexible, nimble and have lower operational costs in comparison to a traditional bank;

- the branch outreach of NBFCs is comparable to the combined networks of regional rural banks and urban co-operative banks, with better knowledge and understanding of the needs of the MSMEs due to their outreach;

- their greater knowledge on the local MSMEs allow NBFCs the opportunity to finance assets that are considered risky by traditional banks;

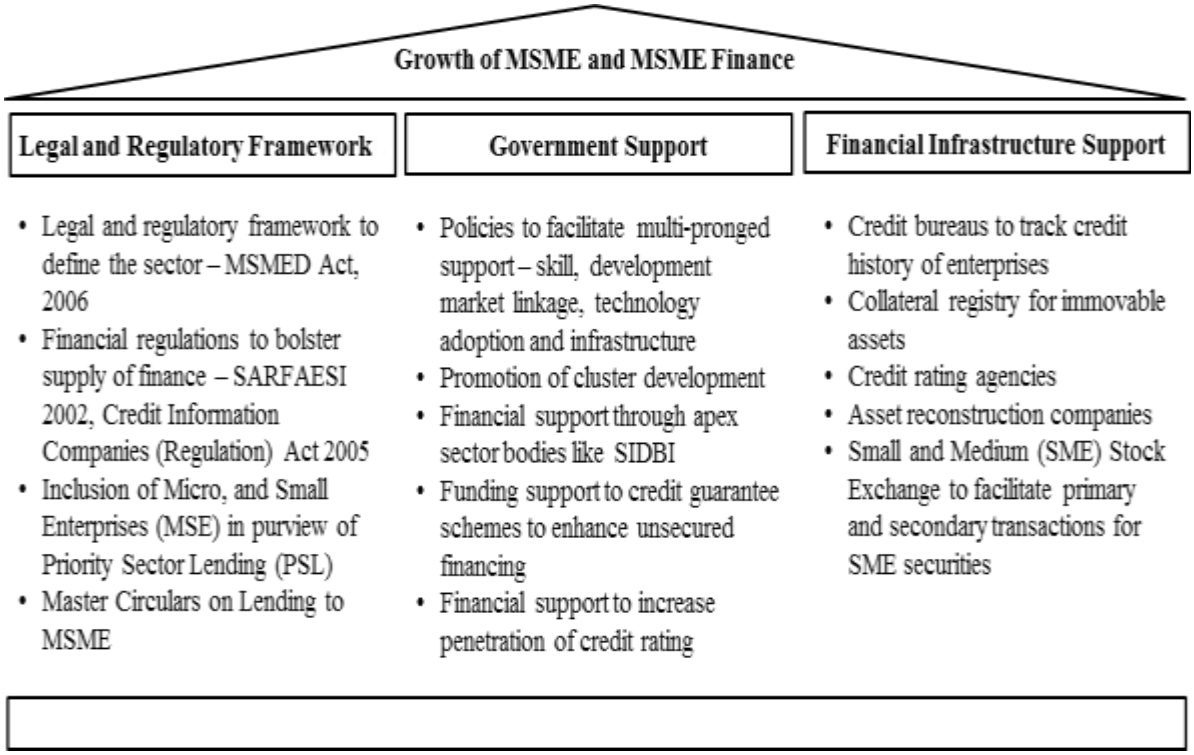
- NBFCs are able to leverage their operational strengths to offer differentiated products and personalized services to MSMEs; and

- product offerings from NBFCs generally require less documentation, applications are faster and options for collateral are more flexible.
  *(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

**DEVELOPING THE MSME SECTOR**

Growth of MSMEs needs to be reinforced by holistic fiscal support and enabling policies. Similarly, improving the policy framework and incentivizing financial institutions to innovate can increase the penetration of formal financial services to the MSME sector. There have been significant efforts to strengthen the enabling environment for MSMEs, which have had a positive impact on the sector as a whole. However, challenges in formulating and implementing effective policy continue to impede the growth of MSMEs and MSME finance. Currently, the growth of MSMEs is supported by (a) the legal and regulatory framework; (b) Government support; and (c) the financial infrastructure.

Key Areas of Support for the Growth of MSMEs




*(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

Government Support

Recognizing the importance of the MSME sector, the Government has instituted various schemes and funding facilities for the development of the sector.

*Key Measures and Challenges*

The Ministry of Micro, Small and Medium Enterprises (the "**MSME Ministry**") is responsible for the development of various programs to encourage skill development, market linkage, technology adoption, finance availability and cluster development.

Skill Development

To support the growth of technology-based enterprises, the Government plans to set up 100 incubators under the auspices of engineering and technology institutions by 2015. The MSME Ministry also proposes to expand the scope of services provided by MSME development institutes and technology incubators to include increased guidance and advisory support to the technology-based enterprises.

Market Linkages

Government policies have been established to assist enterprises to build and foster the necessary market linkages to grow their businesses. These policies include the appointing of National Small Industries Corporation Limited to manage electronic platforms for business to business transactions between MSMEs, and a new umbrella policy that may require different ministries and public sector enterprises to source 20% of their raw material from MSMEs.

Technology Adoption

The Government provides credit-linked capital subsidies to MSMEs for their technology investments through public sector banks.

Cluster Development

The Government has identified cluster development as one of the key approaches to increase the competitiveness of the MSME sector. Clusters are location-based agglomerations of various MSME enterprises that face similar opportunities and challenges, the MSME enterprises sharing a cluster are able to provide ecosystem support to each other.

*Financial Infrastructure Support*

In order to expand formal finance in the MSME sector, financial institutions require the support of a financial support infrastructure, including credit bureau, collateral registry, platform to settle non-performing assets and platforms to raise equity. While both financial institutions and the Government have undertaken several finance-support mechanisms, most of these interventions are in their infancy and have significant potential to scale up.

Credit Bureau

The Credit Information Bureau (India) Limited ("CIBIL") is the leading credit information company in the country. CIBIL's database of credit information is based on the principle of reciprocity, i.e. only members who submit data to the database can access information. As of November 2012, 146 credit guarantors, including 77 commercial banks (out of 169 commercial banks), are members of CIBIL. CIBIL is segregated into two distinct bureaus: consumer and commercial. The consumer bureau tracks the finance data of individuals, while the commercial bureau tracks the finance data of enterprises. The other credit bureaus in the country are still relatively nascent.

Collateral Registry

As a large share of current debt financing tends to be secured, access to information on collateral ownership, pledge history and seniority of charge in case of default minimizes the occurrences of adverse selection for financial institutions. The current asset registration regime is governed by multiple laws and regulations based on the type of the enterprise or the asset type. Some examples of registration regime include: The Companies Act 1956, The Registration Act 1908, Motor Vehicles Act 1988, The Patents Act 1970, and The Depositories Act 1996. The Ministry of Finance has spearheaded the establishment of a Centralized Collateral Registry for India, currently placed within the National Housing Bank. Upon the enactment of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the "**SARFAESI Act**"), The Central Registry of Securitization Asset Reconstruction and Security Interest of India ("**CERSAI**") was established and RBI mandated in March 2011 that all financial institutions covered by the SARFAESI Act would be required to register any mortgages with CERSAI. CERSAI's scope was later broadened to include factoring transactions pursuant to the Regulation of Factor (Assignment of Receivables) Bill, 2011.

Asset Reconstruction Company for SME

The India SME Asset Reconstruction Company ("**ISARC**") was set up by the Small Industries Development Bank of India and other leading commercial banks to manage non-performing MSME assets of commercial banks. Due to the cumbersome nature of managing non-performing assets, ISARC and other ISARC-like initiatives are essential to commercial banks to minimize the cost of managing non-performing assets. *(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation)*

## OVERVIEW OF THE TWO-WHEELER INDUSTRY IN INDIA

Two-wheelers comprise motorcycles, moped and scooters.

### Two-Wheeler Sales Growth in India

#### *Two-Wheeler Sales Growth for Financial Year 2014*

In 2013-2014, domestic two-wheeler growth is expected to recover to 5% to 7% year-on-year, due to improved rural income prospects on the back of good weather. In the short-term, two-wheeler demand is expected to continue shifting from urban to rural areas. Expectations of higher minimum support prices are likely to boost growth in motorcycle sales by 3% to 5% year-on-year. While domestic moped sales are expected to decline due to the weak industrial activity in Tamil Nadu and political issues in Andhra Pradesh, scooter sales are expected to grow by 13% to 15% year to year, driven by higher urban incomes and new model launches.

***Factors Affecting Two-Wheeler Industry***

Demographic Trends

The future growth in two-wheeler demand is expected to come mainly from the rising population in the 16 to 45 age group and the income bracket of ₹ 0.1 to 0.5 million and increasing use of personal transportation. During the period 2005-2010, growth in this age group is estimated to have slowed down to approximately 5% in urban areas and has risen to approximately 7.3% in rural areas. While two-wheelers have had fair penetration in both rural and urban markets, going forward CRISIL Research expects that the growing rural market will drive the growth in the sales of two-wheelers.

Need for Mobility and Shift in Preferred Mode of Transport

A growing population and rising economic activity in India are expected to boost need for vehicles. A growing female workforce, especially in urban areas may also play a role in the rising demand. These factors hint at a modal shift in demand for transport, with the share of private modes of transport expected to increase in comparison to public modes of transport. In rural areas, people who currently walk or use bicycles may shift to two-wheelers and buses. Thus, CRISIL Research expects that the increasing need for mobility and substitution will drive the rural market's demand for two-wheelers. *(Source: "Retail Finance - Auto" dated October 2014, CRISIL Research)*

**Two-Wheeler Loan Disbursements**

CRISIL Research expects loans for two-wheelers to grow by 17% to 19% in 2014-2015, faster than a 13% to 15% rise in the two-wheeler market size, marginally higher than 2013-2014. Higher farm incomes and an improvement in urban income sentiments should boost motorcycle sales. Scooter sales are expected to grow by 16% to 18%, largely due to new model launches and an expansion in the distribution network of scooter sellers.

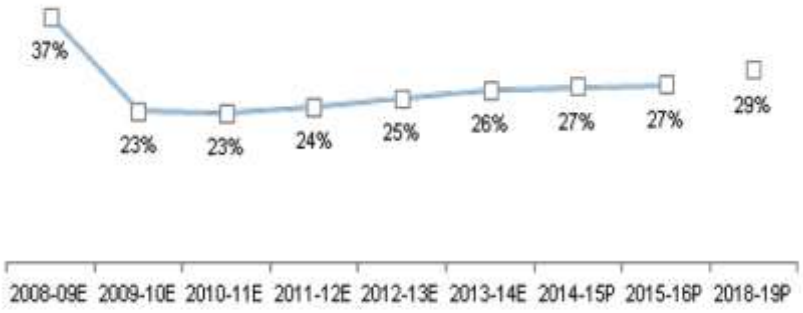
| | 2008-09E | 2009-10E | 2010-11E | 2011-12E | 2012-13E | 2013-14E | 2014-15P | 2015-16P | 2018-19P |
|---|---|---|---|---|---|---|---|---|---|
| Two-wheeler market (Rs. Billion) | 294 | 380 | 496 | 593 | 621 | 687 | 785 | 897 | 1247 |
| Two-wheeler finance disbursements (Rs. Billion) | 73 | 60 | 77 | 97 | 106 | 122 | 144 | 168 | 258 |
| Two-wheeler finance disbursement growth (Rs. Billion) | | -19% | 29% | 25% | 10% | 15% | 18% | 17% | 15-17% CAGR |

Note: E: Estimate, P: Projected, CGAR: Compounded Annual Growth Rate

*(Source: "Retail Finance - Auto" dated October 2014, CRISIL Research)*

Financial penetration is also expected to improve in 2014-2015. After a significant drop in 2008-2009 due to the high volume of delinquencies, the finance penetration in the two-wheeler segment has been rising and likely to improve even further. New entrants and better credit bureau data availability have fueled the increase in the two-wheeler finance penetration.

**Two-Wheeler Finance Penetration Trend** as per CRISIL Research




E: Estimated; P: Projected
Source: CRISIL Research

*(Source: "Retail Finance - Auto" dated October 2014, CRISIL Research)*

Stringent credit policies and the availability of credit information from CIBIL has helped lenders reduce delinquencies and expand their customer base. In addition, new lenders, especially NBFCs have widened operations in markets where banks had exited.

Category-wise market share (2012-13)

| Category | Private Banks | Captive NBFCs | Other NBFCs |
|---|---|---|---|
| Share | 40-44% | 27-31% | 29-33% |
| Key Players | HDFC<br>Indusind | BAL<br>TVS Credit<br>Hero Fincorp | Shriram City<br>Family Credit<br>Fullerton<br>Muthoot<br>Mass Financial<br>Capital First |

Note: Market share based on book

Source: CRISIL Research

*(Source: "Retail Finance - Auto" dated October 2014, CRISIL Research)*

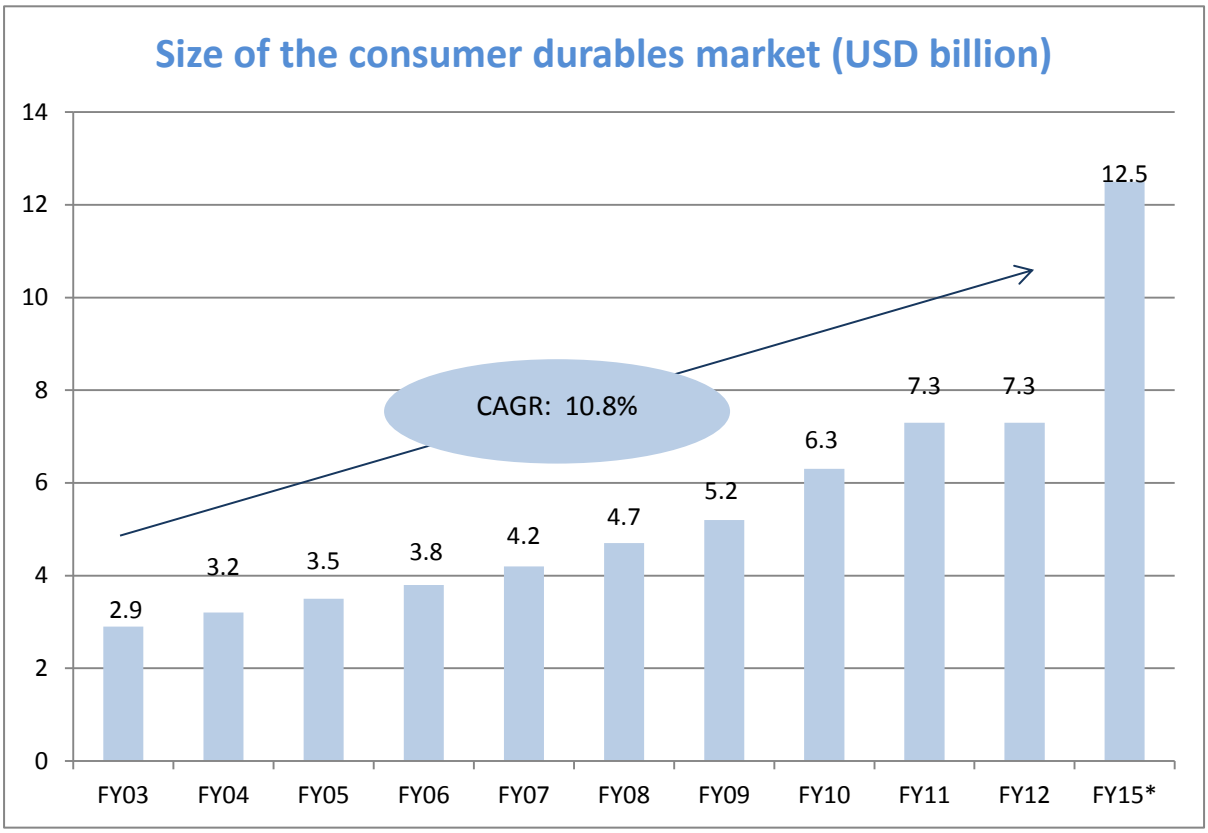
Consequently, CRISIL Research expects the growth in two-wheeler loan disbursements to remain robust in 2015-2016 at around 17% to 19%, driven by better income prospects, lower fuel prices and declining inflation. *(Source: "Retail Finance - Auto" dated October 2014, CRISIL Research)*

**OVERVIEW OF THE CONSUMER DURABLES MARKET IN INDIA**

Consumer durables are products that do not have to be purchased frequently. Some examples of consumer durables are appliances, home and office furnishings, lawn and garden equipment, consumer electronics, toy makers, small tool manufacturers, sporting goods, photographic equipment, and jewelry.

**Consumer Durables Sales Growth in India**

The consumer durables sector raked in revenues worth USD 7.3 billion in FY12. Growth has been healthy over the years; the sector recorded a CAGR of 10.8 per cent over FY03-12. Consumer durables market is expected to double at 14.8 per cent CAGR to USD 12.5 billion in FY15 from USD 6.3 billion in FY10. Further, demand from rural and semi-urban areas is expected to expand at a CAGR of 25% USD 6.4 billion in FY15 from USD 2.1 billion in FY2010.




*(Source: Report on Consumer Durables dated March 2014, http://www.ibef.org/download/Consumer-Durables-March-2014.pdf, India Brand Equity Foundation)*

**Factors for Growth of Consumer Durables Market in India**

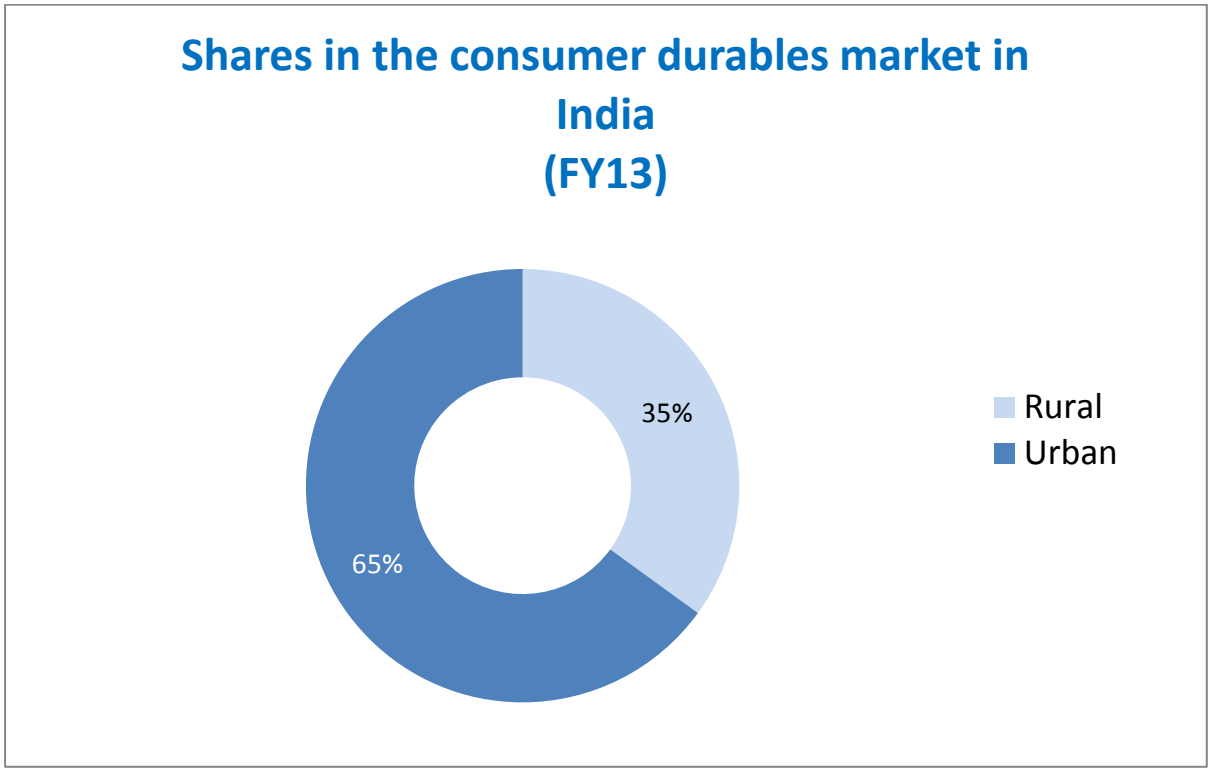
The Indian consumer durables market's expected rapid rise in revenue can be attributed to a number of factors:

***Growing Demand***

Demand for consumer durables in India has been growing on the back of rising incomes; this trend is set to continue even as other factors like rising rural incomes, increasing urbanisation, a growing middle class, and changing lifestyles aid demand growth in the sector.

***Rising Opportunities***

Rural and semi-urban markets currently contribute 35 per cent to total sales; their combined size is set to total sales; their combined size is set to post a CAGR of 25 per cent over 2010-15. Huge untapped rural market currently there is only 2 per cent penetration for refrigerators and 0.5 per cent for washing machines.




*(Source: Report on Consumer Durables dated March 2014, http://www.ibef.org/download/Consumer-Durables-March-2014.pdf, India Brand Equity Foundation)*

## BUSINESS

### Overview

Our Company is a Systemically Important Non-Deposit Accepting Non-Banking Financial Company ("**NBFC-ND-SI**"). We primarily provide retail loans to MSMEs and consumers, including long term loans secured by property, two-wheeler loans and consumer durable loans. Additionally, we provide loans to corporate customers (wholesale loans). Over the last few years, we have consistently increased retail loans as a proportion of our overall AUM. As at December 31, 2014, our total retail AUM was ₹ 98,428.44 million, which constituted 84.15% of our total AUM compared to the same being at 55.94% as at March 31, 2012.

We provide loans to MSMEs ("**MSME Loans**") based on the cash flow analysis, previous credit behaviour and other diligence checks to assess their repayment capabilities. These loans are generally secured against collateral of residential or commercial property. We also provide unsecured short tenure working capital loans to the MSMEs.

We provide financing for purchases of new two-wheelers ("**Two-Wheeler Loans**"). Our Two-Wheeler Loans are originated by the Two-Wheeler dealerships. These loans are generally availed by micro entrepreneurs and salaried employees. As at December 31, 2014, we had agreements with dealers for distributing two-wheeler loans at over 1,500 empanelled two-wheeler dealership points across India.

We provide financing for digital appliances, white goods and home appliances ("**Consumer Durable Loans**"). Loans for digital appliances like laptops, tablets, smart-phones and printers, are usually availed by micro entrepreneurs and loans for home appliances like air conditioners, refrigerators, washing machines and televisions are usually availed by salaried consumers. Consumer Durable Loans are originated at sales stores, including large retail format stores, modern retail stores, and small retail stores. We have agreements with major consumer durables manufacturers in India for financing their products at these stores. As at December 31, 2014, our Consumer Durable loans are distributed at more than 2,500 empanelled stores across India.

We currently provide wholesale loans on a selective basis to corporate customers, primarily to real estate developers, against security of underlying assets and supported by escrow of the project cash flows. As at December 31, 2014, our total wholesale loans AUM was ₹ 18,544.36 million, which constituted 15.85% of our total AUM.

In addition to our loans business, we are a corporate agent for distributing life insurance products and general insurance products with reputed insurance companies in India.

As at December 31, 2014, we cater to customers in 222 towns across India through our employees, members of our direct sales team, direct sales agents and our network of 89 branches spread across 40 cities. As at December 31, 2014, we had 1,028 employees.

Our total AUM was ₹ 61,857.49 million, ₹ 75,095.68 million, ₹ 96,790.59 million and ₹ 116,972.80 million as at March 31, 2012, 2013 and 2014 and December 31, 2014, respectively. As at March 31, 2012, 2013 and 2014 and December 31, 2014, our gross NPAs as a percentage of our gross advances were 0.08%, 0.11% 0.44%, and 0.63%, respectively, and our net NPAs as a percentage of our net advances were 0.00%, 0.01%, 0.08% and 0.02%, respectively.

The Company's CRAR on a standalone basis computed on the basis of applicable RBI requirements was 20.22% as at December 31, 2014.

For the nine months ended December 31, 2013 and 2014, our total revenue was ₹ 7,816.03 million and ₹ 10,568.14 million, respectively, and our profit after tax was ₹ 228.00 million and ₹ 778.08 million, respectively. For the years ended March 31, 2012, 2013 and 2014, our total revenue was ₹ 7,437.44 million, ₹ 8,196.19 million and ₹ 10,625.14 million, respectively, and our profit after tax was ₹ 1,058.31 million, ₹ 631.09 million and ₹ 526.28 million, respectively.

### Company History

The Company was incorporated in the year 2005 and received NBFC license from the RBI in 2006. In 2008, the Company was listed on both the NSE and the BSE. In order to take an entrepreneurial role, in August 2010, Mr. V. Vaidyanathan, with more than two decades experience in retail banking with Citibank and ICICI Bank in senior

positions, joined the Board of Directors of the Company. When he joined the Company, it was largely a wholesale lending NBFC.

In the financial year 2011, we divested our entire stake in a 50:50 joint venture with Centrum Capital, which was engaged in the business of forex money changing. In the financial year 2012, we merged an existing subsidiary NBFC, which conducted retail finance business, with the parent company. As at March 31, 2012, our retail AUM as a percentage of our overall AUM was 55.94%.

In the financial year 2013, the Company has issued through a combination of 3,086,420 fresh Equity Shares of ₹ 10 each at the premium of ₹ 152 each, aggregating to ₹ 500 million and 3,086,420 fresh Compulsorily Convertible Preference Shares of ₹ 10 each at the premium of ₹ 152 each, aggregating to ₹ 500 million. Thus, in the financial year 2013, Cloverdell Investment Ltd., through a combination of purchases of Equity Shares from existing shareholders and the issues of fresh Equity Shares from the Company and fresh Compulsorily Convertible Preference Shares, acquired a controlling stake in the Company.

In May 2013, our Company's 100% owned subsidiary, Capital First Home Finance Private Limited, obtained a certificate of registration from the National Housing Bank to commence a housing finance business.

In the third quarter of the financial year 2014, as a strategy to focus on the core business of retail financing to MSME and consumers, we discontinued our equity broking and commodity broking businesses.

In March 2014, the Company issued 11,607,145 Equity Shares of ₹ 10 each at the premium of ₹ 143.80 each on a preferential basis to Cloverdell Investment Ltd and HDFC Standard Life Insurance Company Limited. The gross proceeds from the issue were ₹ 1,785.18 million.

We previously extended gold loans against the pledge of gold jewellery ("**Gold Loans**"). In February 2015, we decided to discontinue our Gold Loans business. As of December 31, 2014, the Gold Loan portfolio constituted 4.10% of our total AUM. As of December 31, 2014 our Gold Loans business was serviced through our network of 43 exclusive branches and 11 full service branches spread across India. We intend to close the 43 exclusive Gold Loans branches as part of the winding down process of the Gold Loans business.

Over the last four years, our Company has transformed into a retail financing focused NBFC with 84.15% of our AUM in the retail finance business as at December 31, 2014.

**Our Competitive Strengths**

***Established Player in the MSME Loan Segment with a Diversified Product Portfolio***

We have invested considerable time in developing customized credit assessment and operations processes to meet the needs of the MSME segment. The MSME Loans constitute the majority of our total AUM as at December 31, 2014. In addition to MSME Loans, MSMEs avail Two Wheeler Loans and Consumer Durable Loans.

The overall demand for debt in the MSME sector is estimated to be approximately ₹ 26 trillion (U.S.$520 billion). *(Source: "Micro, Small and Medium Enterprise Finance in India" dated November 2012, International Finance Corporation).* For further details, see "Industry".

We believe that our experience in providing the debt finance products to MSMEs and developing processes tailored to the MSME segment puts us in an ideal position to continue to tap this growing customer segment.

***Experienced Board & Management Team***

Our Board of Directors includes individuals experienced in a wide range of subjects relevant to our business including banking, finance, financial policy and governance. The Board members of our Company have served as board members at large reputed organizations in India. The members of our management team have a diverse set of backgrounds with substantial relevant experience, including credit evaluation, technical evaluation, risk management, treasury, technology and marketing. For further details, see "Board of Directors and Key Management Personnel".

***Strong Credit Evaluation Framework and High Asset Quality***

We have invested considerable time and efforts in developing customized credit assessment and operations processes to meet the needs of the MSME customer segment. We are constantly working towards further improving our credit evaluation processes. We have contemporary loan origination system, strict monitoring framework and systems to ensure the high standards of on-boarding credit quality and portfolio performance. We have implemented sophisticated analytics and automated credit scoring solutions for credit evaluation of two wheeler loans and consumer durable loans.

Our robust credit framework has ensured asset quality over the years. As at March 31, 2012, 2013 and 2014 and December 31, 2014, our gross NPAs as a percentage of our gross advances were 0.08%, 0.11%, 0.44% and 0.63%, respectively, and our net NPAs as a percentage of our net advances were 0.00%, 0.01%, 0.08%, and 0.02%, respectively.

***High Credit Rating***

We are currently rated by two accredited credit rating agencies. The details of our current credit ratings are as follows:

| Rating Agency | Short Term Borrowing Programme | Long Term Bank Loan Facilities | Secured Redeemable Non-Convertible Debentures | Subordinated Debt Non-Convertible Debentures | Perpetual Non-Convertible Debentures |
|---|---|---|---|---|---|
| CARE | A1+ | AA+ | AA+ | AA+ | AA |
| BWR | - | AA+ | AA+ | AA+ | AA |

Our credit ratings reflect and recognize the Promoter, experienced management team, comfortable capitalization levels, comfortable asset quality parameters and liquidity position in our company. These high credit ratings indicate a strong capacity for timely repayment and low credit risk. This enables us to borrow funds at highly competitive rates.

***Conservative Asset Liability Management***

We follow a conservative funding strategy, which gives us adequate asset liability stability. As a protection from liquidity risk, we generally follow a policy of matched funding. This means that all assets are generally funded by corresponding liabilities of similar maturities on an actuarial basis.

**Our Strategies**

We are committed to being a technology-driven and customer-oriented NBFC with a focus on lending to the MSME segment. We are dedicated to providing quality service to our customers and maintaining high standards of corporate responsibility. Our key business strategies include the following:

***Continue to Expand our Retail Loans***

We believe that MSME segment in India is underserved and there is a huge opportunity to finance this segment with customized and sophisticated credit evaluation tools. We have identified MSME Loans as a key line of business for growth and as at December 31, 2014, we have financed over 500,000 MSME customers. It is a challenge for MSMEs to raise funds through traditional sources of financing. Our operating model and presence enable us to disburse loans in a quick, efficient and convenient manner. We will continue to provide the MSME sector in India with debt capital to support its growth. We are also focusing on growing our other retail lending assets.

***Improving our Operating Leverage***

Over the past few years, we have expanded our sales platform and customized credit assessment and operations processes to meet the needs of the MSME customer segment. We have made investments in technology platforms, infrastructure, manpower and supervisory structures. We plan to focus on deeper penetration in our existing markets and increase our productivity with the help of efficient processes and technology support. Our near term focus is on increasing our loans using our existing sales platform and operational infrastructure, which would lead to improvement in our operating leverage. This would result in income growth that is higher than the growth in our operating expenses, which would increase our profitability.

***Provide Wholesale Loans on Selective Basis***

As a strategy, we focused on the expansion of our retail loan business and as a result our wholesale loan AUM declined from 44.06% of our total AUM as at March 31, 2012 to 15.85% as at December 31, 2014. Going forward, we only intend to provide wholesale loans on selective basis.

**Our Products**

***MSME Loans***

We provide loans to MSMEs based on the cash flow analysis, previous credit behaviour and other diligence checks to assess the repayment capability. These are generally long term loans secured against collateral of residential or commercial property and are offered on a monthly amortising basis. For the nine months ended December 31, 2014, the average ticket size of these loans was ₹ 9.62 million and the average LTV at origination was approximately 42%. We also provide unsecured shorter tenure working capital loans of relatively lower ticket size to MSMEs based on the assessment of their financials, cash flow, credit bureau records on repayment history and other diligence checks.

***Business Origination***

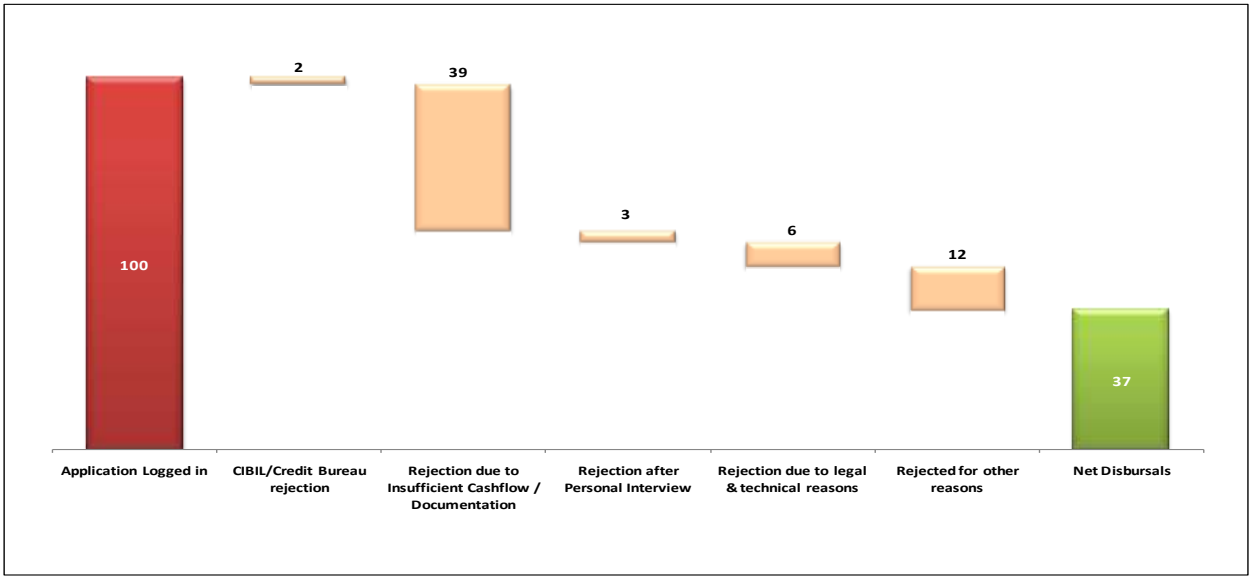
The leads for this business are generated by direct sales agents and members of the direct sales team. The direct sales agents are independent contractors. We have entered into contracts with third party service providers who employ personnel to act as members of our direct sales team. The sales manager at the branch level is responsible for generating business through these channels.

***Credit Underwriting and Disbursal***

Once a potential customer makes a loan application, the sales team conducts a preliminary check and compiles the necessary documents and provides to credit team for credit assessment.

Our credit managers have delegated powers for credit authorization, based on their experience and seniority, to sanction loans up to certain limits. The credit manager conducts certain cash flow analysis and checks credit bureau records of the customers along with other diligence checks and visits customer's premise for personal discussion for assessment of his/her creditworthiness. Along with this, the credit manager takes into account the legal and technical valuation done on the customer's proposed collateral by external empanelled professional agencies and provides a final credit decision in terms of approval or rejection. Once approval of the loan is obtained, the sales team collects the necessary pre-disbursal documents and repayment instruments such as electronic clearing system ("**ECS**") mandate, direct debit mandate or post-dated cheques. One of our operations manager checks the pre-disbursal documents and processes disbursal of the loan in the loan management system.

We have a robust credit assessment process to maintain high asset quality. Below is a chart depicting the levels of scrutiny in our credit assessment process for MSME Loans against the collateral of property:




*Note: The data is for the period from October 2012 to September 2014*

***Defaults/Collections***

Overdue loans are handled by a dedicated and separate collection team supported by a robust collection system that facilitates the monitoring of overdue accounts by the collection team. The overdue accounts are assigned to the collection manager at the branch, who works closely with the customer to ensure repayment. In the event of continued default, we may initiate legal proceedings as necessary.

In the Union Budget of India for the financial year 2016, the Finance Minister of India proposed that Non-banking financial companies (NBFCs) with assets of ₹ 5,000 million and above should be allowed to use the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 ("**SARFAESI Act**") like any other financial institution. Once the SARFAESI Act is amended to include NBFCs as a financial institution under its definition and published in the Official Gazette, it will grant us greater rights to enforce security and recover amounts owed from secured borrowers.

***Two-Wheeler Loans***

We provide Two-Wheeler Loans to self-employed customers (such as small traders, suppliers, and shopkeepers) and salaried customers based on their income assessment. For the nine months ended December 31, 2014, the average size of the loan was approximately ₹ 44,000 and the LTV at origination was approximately 70%. The average tenor of the loan was approximately two years.

***Business Origination***

We have entered into dealership agreements with two-wheeler dealerships for originating the loans through direct sales agents and members of the direct sales team at these two-wheeler dealerships. The sales person accepts a customer's application and sends the documents to the credit team for further processing. As at December 31, 2014, we have more than 1,500 empanelled dealership points across India.

***Credit Underwriting and Disbursal***

The credit manager conducts various checks, including a credit bureau check, to assess the creditworthiness of the customer as per our defined credit policy for this product and based on those checks decides whether to approve or reject the loan application. If the loan is approved, the sales team collects the necessary pre-disbursal documents and repayment instruments, such as ECS mandate, direct debit mandate or post-dated cheques. One of our operations managers checks the pre-disbursal documents and processes the disbursal of the loan in the loan management system.

***Defaults/Collections***

Overdue loans are handled by a dedicated and separate collection team supported by a robust collection system for monitoring the overdue accounts. Our in-house collections team works with external collection agencies for collection of overdue Two-Wheeler Loan cases. In the event of continued default, we may initiate legal proceedings as necessary.

***Consumer Durable Loans***

We provide financing for digital appliances, white goods and home appliances. Loans for digital appliances like laptops, tablets, smart-phones and printers, are usually availed by micro entrepreneurs and loans for home appliances like air conditioners, refrigerators, washing machines and televisions are usually availed by salaried consumers. We have agreements with major consumer durables manufacturers in India for financing the customers to buy their products at the consumer durable stores and in turn, these manufacturers give us interest subsidies, which essentially contribute to the income from these loans. For the nine months ended December 31, 2014, the average ticket size of these loans was approximately ₹ 30,000 and the average LTV was approximately 76%. The tenor of these loans is about nine months.

***Business Origination***

The Consumer Durable Loans are originated at sales stores including large retail format stores, modern retail stores, and small retail stores through direct sales agents and members of the direct sales team at these stores. As at December 31, 2014, our Consumer Durable loans are distributed at more than 2,500 empanelled stores across India.

***Credit Underwriting and Disbursal***

The sales agent at the store accepts a customer's application and then enters the customer's details into the loan origination system, which performs various checks, including a credit bureau check, and provides a decision based on our credit policy for this product. If the application is approved, the necessary documents are collected from the customer and the complete loan application file is given to the operations team, along with the repayment instruments, such as an ECS mandate and a direct debit mandate. One of our operations managers checks the loan application documents and processes the disbursal of the loan in the loan management system.

***Defaults/Collections***

Overdue loans are handled by a dedicated and separate collection team supported by a robust collection system for monitoring the overdue accounts. Our in-house collections team works with external collection agencies for collection of Consumer Durable Loans. In the event of continued default, we may initiate legal proceedings as necessary.

***Wholesale Loans***

We currently provide wholesale loans on a selective basis to corporate customers, primarily to real estate developers, against security of the underlying assets and supported by an escrow of the project cash flows. We have been reducing our wholesale loans as a percentage of our total AUM, with our wholesale loans AUM decreasing from 44.06% of our total AUM as at March 31, 2012 to 15.85% of our total AUM as at December 31, 2014.

In case of wholesale lending, the Board of Directors has given authority to a committee consisting of certain senior officers of the Company. This committee meets on a regular interval to consider, discuss, review and approve the proposals presented by the wholesale lending department, if deemed fit. The committee grants its approval with stipulations on pricing, collateral and other lending conditions. After the approval from the committee, the wholesale lending department drafts the legal agreements for the borrower to execute and only after the execution of legal documents and other pre-disbursement documents (like KYC documentation and relevant board resolutions), gives the instructions to the treasury team for the disbursement of the loans to the borrowers' bank account.

**Assets Under Management**

The table below sets forth our wholesale loans AUM and retail loans AUM as at March 31, 2012, 2013 and 2014 and December 31, 2014:

**(AUM in ₹ million)**

| Product | As at March 31, 2012 | As at March 31, 2013 | As at March 31, 2014 | As at December 31, 2014 |
|---|---|---|---|---|
| Retail Loans (MSMEs and Consumers) | 34,604.43 | 55,600.07 | 78,832.15 | 98,428.44 |
| *% of total AUM* | *55.94%* | *74.04%* | *81.45%* | *84.15%* |
| Wholesale loans | 27,253.06 | 19,495.61 | 17,958.44 | 18,544.36 |
| *% of total AUM* | *44.06%* | *25.96%* | *18.55%* | *15.85%* |
| Total | 61,857.49 | 75,095.68 | 96,790.59 | 116,972.80 |

**Marketing**

The Company mainly relies on direct customer contact and referrals for the marketing of its products. In addition, the Company places advertisements for our MSME Loans in reputable publications.

**Customer Service**

As part of our customer service initiatives, we maintain a customer care telephone number and SMS facilities for easy clearance and resolution of customer queries. We have also developed and launched an online portal that enables customers to pay their loan installments and overdue amounts online. Our key branches have a dedicated customer service representative to address customer concerns and queries.

**Treasury Operations and Funding**

Our treasury operations are mainly focused on raising funds for meeting our funding requirements and managing short term surpluses. Our funding requirements are sourced through loans and by the issue of debentures to banks, financial institutions and mutual funds. We also issue commercial paper and raise unsecured debentures by way of subordinated debt and perpetual debt instruments.

Our treasury department undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the RBI's requirement for asset liability management. Our objective is to ensure the smooth functioning of all our branches and at the same time avoid holding excessive cash.

**Credit Risk Management**

We have a comprehensive credit policy that outlines the broad credit framework of our Company. Detailed credit standards for each business are provided in the relevant product program documents. For example, under the comprehensive credit policy of the Company, while assessing the credit risk of a customer in the MSME segment, the following critical parameters are considered:

- understanding the customer's business and cash flow;
- past repayment history and credit behaviour;
- capital contributed by the borrower towards the loan; and
- quality of the collateral offered.

We underwrite loans on the basis of LTV norms and assessed cash flow capabilities of customers. We lay emphasis on regular credit bureau inputs, detailed credit analysis processes, reference checks and past credit behaviour, among other factors, based on the products.

We have also implemented a "Management Information System" to monitor portfolios on a regular basis. We

continuously align our credit policies at regular intervals and work closely with credit bureaus to ensure optimum credit quality.

**Operations Risk Management**

To minimize operational risk, we have created 'maker-checker' processes for critical controls. Detailed process manuals have been compiled with service level agreements for document processing and handling. We have established systems that automate loan approval and management. We have an in-house internal audit team, which conducts periodic audits for all the business and functions of the Company.

For more details on our risk management policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Qualitative Disclosure About Market Risk".

**Technology**

We have invested in technology to facilitate efficiency and ensure seamless business growth. We believe our advanced IT systems result in better customer experiences due to reduced turnaround time and minimal operational risks and human errors. Our modern system and efficient IT architecture have created a platform for our seamless business growth and operations. Our hardware and security systems have been upgraded to strengthen our overall network.

**Our Company's Subsidiaries**

Our Company has the following wholly-owned subsidiaries:

| Name of the Subsidiary | Business Activities |
|---|---|
| Capital First Home Finance Private Limited ("**CFHFPL**") | CFHFPL is involved in the business of providing home loans. We intend to merge CFIAL with CFHFPL. The boards of CFIAL and CFHFPL approved the amalgamation scheme on August 4, 2014. Subsequently, CFHFPL received a no-objection letter dated January 9, 2015 from the National Housing Bank for the aforesaid amalgamation. Thereafter, CFHFPL has filed an application before the Bombay High Court, to approve the aforesaid amalgamation. CFHFPL has a standalone long term rating of AA+ and short term rating of A1+ from CARE. |
| Capital First Investment Advisory Limited ("**CFIAL**") | CFIAL was involved in the investment advisory business until the third quarter of the financial year 2014. It no longer has any business operations. We intend to merge CFIAL with CFHFPL. The boards of CFIAL and CFHFPL approved the amalgamation scheme on August 4, 2014. Thereafter, CFIAL has filed an application before the Bombay High Court, to approve the aforesaid amalgamation. |
| Capital First Securities Limited ("**CFSL**") | CFSL was involved in the equity broking business until the third quarter of the financial year 2014. It no longer has any business operations. We may wind up CFSL in due course. |
| Capital First Commodities Limited ("**CFCL**") | CFCL was involved in commodity broking services to retail clients until the third quarter of the financial year 2014. It no longer has any business operations. We may wind up CFCL in due course. |
| Anchor Investment & Trading Private Limited ("**Anchor**") | Anchor was involved in investment management and advisory activity until the third quarter of the financial year 2014. Anchor is in the process of being wound up. |

**Insurance**

We maintain a number of insurance policies to cover the different risks involved in the operation of our business. We maintain a directors' and officers' liability policy to cover certain liabilities that may be imposed on our directors and officers. For collections, we have Fidelity Insurance and Insurance for Money in Transit. We also maintain insurance policies covering Electronic Equipment, Burglary, Standard Fire and Special Peril and Machinery Breakdown.

**Intellectual Property**

We have applied for the registration of our logo CAPITAL FIRST with the Trade Mark Registry in Mumbai and our application is being processed by the registry.

**Employees**

As at December 31, 2014, we had 1,028 employees on a consolidated basis. We have adopted the approach of building a culture of learning and execution. Our performance appraisal system helps to analyze the qualitative aspects of our business and managerial dimensions of our employees. To motivate our employees further, we have introduced an Employees' Stock Option Schemes for selected employees.

We have in place a 360-degree feedback process, which enables us to get an insight about our employees. We conduct training programs for our employees and are implementing a learning management system to provide refresher courses on management studies. Our corporate recognition programme, "Ace Awards", recognizes the contribution of outstanding employees on a quarterly and an annual basis.

**Competition**

We face competition in all our lines of business. Our primary competitors are other NBFCs, public sector banks, private sector banks, co-operative banks and foreign banks.

**Property**

Our corporate and registered office is located at Indiabulls Financial Centre, Tower II, 15th Floor, Senapati Bapat Marg, Elphinstone Road, Mumbai 400 013. As at December 31, 2014, we had 89 branches, of which 43 were exclusive Gold Loan branches, which we intend to close over time as part of the winding down process of the Gold Loans business. Our corporate office and all of our branches are under lease agreements.

## BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The general supervision, direction and management of our Company's operations and business are vested in the Board, which exercises its powers subject to the Memorandum and Articles and the requirements of Indian law. The Articles set out that the number of Directors shall not be less than three and not more than twelve. The quorum for meetings of the Board is the higher of one-third of the total number of Directors, subject to a minimum of two Directors and the nominee director of Cloverdell Investment Ltd.

Currently, our Company has eight Directors. The composition of the Board is primarily governed by the provisions of the Companies Act and the Equity Listing Agreement. Of the eight Directors, one, Mr. V. Vaidyanathan, is an Executive Director, one, Mr. Vishal Kashyap Mahadevia is a Non-Executive, Non-Independent Director (nominee director of Cloverdell Investment Ltd), one, Mr. Narendra Ostawal is a Non-Executive, Non-Independent Director (nominee director of Cloverdell Investment Ltd) and five are Independent Directors.

The following table sets forth details regarding the Board as at the date of this Placement Document:

| Name and Occupation | Age | Position | Director Identification Number | Address | Director Since |
|---|---|---|---|---|---|
| Mr. V. Vaidyanathan<br><br>Occupation: Service | 47 | Chairman & Managing Director | 00082596 | 1602, Tower B, Beamonde, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025, Maharashtra, India | August 10, 2010 |
| Mr. Naresh Chand Singhal<br><br>Occupation: Professional | 78 | Independent Director | 00004916 | D-107, Poornima, 23 Pedder Road, Mumbai - 400 026, Maharashtra, India | September 23, 2010 |
| Mr. Vishal Kashyap Mahadevia<br><br>Occupation: Professional | 42 | Non-Executive, Non-Independent Director (nominee director of Cloverdell Investment Ltd) | 01035771 | 81, Landmark, Carmichael Road, Mumbai - 400 026, Maharashtra, India | September 28, 2012 |
| Mr. M. S. Sundara Rajan<br><br>Occupation: Professional | 65 | Independent Director | 00169775 | Ashwarooda, Flat No.11, 2nd floor, Building No. 248, Ambujammal Street, T.T.K. Salai, Alwarpet, Chennai, 600018, Tamil Nadu, India | February 6, 2013 |
| Mr. Hemang Raja<br><br>Occupation: Professional | 56 | Independent Director | 00040769 | 4D, Rashmi Apartments, 11, Carmichael Road, Mumbai - 400 026, Maharashtra, India | February 6, 2013 |
| Dr. (Mrs.) Brinda Jagirdar<br><br>Occupation: Professional | 62 | Independent Director | 06979864 | 1104, Eleven, Serenity Heights, A-Wing, Mindspace, Off New Link Road, Malad (West), Mumbai, 400064, Maharashtra, India | September 24, 2014 |
| Mr. Narendra Ostawal<br><br>Occupation: | 37 | Non-Executive, Non-Independent Director (nominee director of Cloverdell | 06530414 | G/601, Gundecha Gardens, Bombay Gas Compound, Lalbaug, Mumbai, 400012 | January 06, 2015 |

| Name and Occupation | Age | Position | Director Identification Number | Address | Director Since |
|---|---|---|---|---|---|
| Professional | | Investment Ltd) | | | |
| Mr. Dinesh Hashmukhrai Kanabar<br><br>Occupation: Professional | 56 | Independent Director | 00003252 | 14 A Sett Minar, Dr Gopalrao Deshmukh Rd, Opposite Jaslok Hospital, Mumbai, 400026 | January 06, 2015 |

**Brief profiles of the Directors**

**Mr. V. Vaidyanathan**

Mr. V. Vaidyanathan aged 47, is our Chairman & Managing Director. He has an experience of more than two decades in Banking and Financial Services with Citibank, ICICI Bank Limited and Capital First Limited in senior positions. At the time of leaving ICICI Group, he was the Managing Director and Chief Executive Officer of ICICI Prudential Life Insurance Company, a position he held since 2009. Earlier, he was appointed as a member on the Board of ICICI Bank Limited as Executive Director in 2006 at an age of 38. Further, he has also served as the Chairman of ICICI Home Finance Company Limited, and served on the Board of ICICI Lombard General Insurance Company and Credit Information Bureau of India Limited (CIBIL). Prior to this, he was the Managing Director of ICICI Personal Financial Services Limited in 2001. He started his career with Citibank India in Consumer Banking Division, and was with the bank from June 1990 till March 2000, when he left to join ICICI Limited, which is now ICICI Bank Limited. He is an alumnus of Birla Institute of Technology and Harvard Business School.

**Mr. Naresh Chand Singhal**

Mr. N. C. Singhal, aged 78, is our Independent Director. He holds a master's degree in science with a specialization in Mathematical Statistics from the University of Lucknow and a master's degree in arts with a specialization in Economics from the Agra University. He also holds a diploma in Public Administration from the University of Lucknow. He was awarded the United Nations Development Programme fellowship for training in the field of "Training of Technical Personnel" in Union of Soviet Socialist Republics. He has served as a management specialist with the Asian Development Bank. Further, he has also served as the vice chairman and managing director of Shipping Credit & Investment Corporation of India Limited. He has been Member of our Board since September 23, 2010.

**Mr. Vishal Kashyap Mahadevia**

Mr. Vishal Mahadevia, aged 42, is our Non-Executive, Non-Independent Director. He holds a bachelor's degree in Economics as well as a bachelor's degree in Electrical Engineering, both, from the University of Pennsylvania. Further, he is the managing director and co-head of Warburg Pincus India Private Limited, and is also a member of the firm's executive management group. Previously, he was with Greenbriar Equity Group, and also worked at Three Cities Research, Inc. and McKinsey & Company. He has been a member of our Board since September 28, 2012.

**Mr. M. S. Sundara Rajan**

Mr. M. S. Sundara Rajan, aged 65, is our Independent Director. He is a post-graduate in Economics with a specialization is Economics from the University of Madras. He is a certified associate of the Indian Institute of Bankers. He is also an associate of the Institute of Company Secretaries of India. He last served as the chairman and managing director of the Indian Bank. He has been a member of our Board since February 6, 2013.

**Mr. Hemang Raja**

Mr. Hemang Raja, aged 56 is our Independent Director. He holds a bachelor's degree in commerce from the University of Bombay, a master's degree in Business Administration from Abeline Christian University, Texas and an Advanced Management Program from Oxford University. He has previously worked in the private equity, asset management division of Credit Suisse as a managing director and with Asia Growth Capital Advisors as Country Advisor - India. He has been a member of our Board since February 6, 2013.

**Dr. (Mrs.) Brinda Jagirdar**

Dr. (Mrs.) Brinda Jagirdar, aged 62, is our Independent Director. She holds a doctor of philosophy (arts) in Economics from the University of Mumbai, a master's degree (science) in Agricultural Economics from the University of California at Davis, a master's degree in Economics and bachelor's degree (arts) in Economics from the University of Poona. Moreover, she has attended an Executive Programme at the Kennedy School of Government, Harvard University, USA. In the past, she has served and retired as the general manager and chief economist of State Bank of India. She has been a member of our Board since September 24, 2014.

**Mr. Narendra Ostawal**

Mr. Narendra Ostawal aged 37, is our Non-Executive, Non-Independent Director. He is a qualified Chartered Accountant and holds a post graduate diploma in management from the Indian Institute of Management, Bangalore. He has been employed with Warburg Pincus since 2007 till date and is currently working in the capacity of a managing director of Warburg Pincus India Private Limited. In the past, he has also worked as an associate with McKinsey & Company. He has been a member of our Board since January 06, 2015.

**Mr. Dinesh Hashmukhrai Kanabar**

Mr. Dinesh Hashmukhrai Kanabar aged 56, is our Independent Director. He is a qualified Chartered Accountant. He is the chief executive officer of Dhruva Tax Advisors LLP since November 1, 2014. Previously, he was deputy chief executive officer with KPMG India Private Limited. He has been serving as a chairman of the Taxation Committee of the Federation of Indian Chambers of Commerce and Industry since the beginning of 2014. Further, in 2012, he was a member of the Rangachary Committee set up by the Prime Minister of India for reviewing the taxation of Development Centres and the Information Technology sector. He has been a member of our Board since January 06, 2015.

**Compensation of Directors**

The nomination and remuneration committee determines and recommends to the Board, the compensation of the Directors.

The table below sets forth the details of the remuneration (including sitting fees, salaries, commission and perquisites) paid during the current fiscal year and the last three fiscal years, to the Directors on the Board as on the date of this Placement Document:

(in ₹)

| Name | From April 1, 2014 to December 31, 2014 | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|---|
| Mr. V. Vaidyanathan | 35,052,375 | 41,205,479** | 33,333,333 | 35,000,000* |
| Mr. Naresh Chand Singhal | 320,000 | 1,720,000 | 1,540,000 | 1,100,000 |
| Mr. Vishal Kashyap Mahadevia | Nil | Nil | Nil | N.A. |
| Mr. M. S. Sundara Rajan | 180,000 | 1,740,000 | 120,000 | N.A. |
| Mr. Hemang Raja | 260,000 | 1,740,000 | 120,000 | N.A. |
| Ms. Brinda Jagirdar | 60,000 | N.A. | N.A. | N.A. |
| Mr. Narendra Ostawal | Nil | N.A. | N.A. | N.A. |
| Mr. Dinesh Hashmukhrai | Nil | N.A. | N.A. | N.A. |

| Name | From April 1, 2014 to December 31, 2014 | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|---|
| Kanabar | | | | |

** *Gross remuneration of Mr. V. Vaidyanathan includes a provision of ₹ 1,205,479 made for leave encashment during Fiscal 2014.*

* *Gross remuneration to Mr. V. Vaidyanathan includes performance bonus of ₹5,000,000 payable for the Fiscal 2012.*

**Interests of our Directors**

All Directors, other than our Chairman & Managing Director, may be deemed to be interested to the extent of commission, fees, if any, payable to them for attending meetings of the Board or a committee thereof, remuneration and reimbursement of expenses payable to them. Our Chairman & Managing Director may be deemed to be interested to the extent of remuneration paid to him for services rendered as the officer of our Company.

All Directors, may also be deemed to be interested to the extent of equity shares and stock options, if any, held by them or their relatives and / or associates or held by any body corporates, firms, trusts, partnerships or entities in which they are interested as a director, member, partner, trustee or officer and / or have beneficial economic interest and to extent of benefits arising out of such shareholding..

Except as otherwise stated in this Placement Document in this regard, we have not entered into any contracts, agreements, arrangements during the preceding two years from the date of this Placement Document in which any of the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them.

As on the date of this Placement Document, none of the Directors have availed of any loan from our Company. None of the Directors are related to any other Director.

**Shareholding of the Directors**

The table below sets forth the number of Equity Shares held by the Directors, as of December 31, 2014:

| Name | Position | Number of Equity Shares | Percentage of pre-Issue paid up Equity Share capital |
|---|---|---|---|
| Mr. V. Vaidyanathan | Chairman & Managing Director | 341,496* | 0.41* |

** Additionally, Mr. V. Vaidyanathan also holds 7,491,000 options under various ESOS Schemes. Further, JV and Associates LLP holds 4,773,795 Equity Shares, in which Mr. V. Vaidyanathan is a designated partner.*

**Corporate Governance**

Our Company is in compliance with the requirements of the applicable corporate governance norms, including the Equity Listing Agreement, the Companies Act, the SEBI Regulations and the RBI regulations, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of the Board from the executive management team and constitution of the committees of the Board, as required under applicable law. Our Company‘s management provides the Board with detailed reports on a periodic basis.

**Committees**

Our Company has four committees, which have been constituted and function in accordance with the relevant provisions of the Companies Act and the Equity Listing Agreement, namely: (i) the audit committee; (ii) the nomination and remuneration committee; (iii) the stakeholders’ relationship committee, and (iv) the corporate social responsibility committee. A brief on each committee, its scope and composition is given below:

***Audit Committee***

The Board has constituted an audit committee. Pursuant to the last re-constitution of the audit committee on January 6, 2015, the committee comprises of the following members:

| Sr. No | Name of the Director | Designation |
|---|---|---|
| 1. | Mr. Dinesh Kanabar | Independent Director (Chairman) |
| 2. | Mr. N. C. Singhal | Independent Director |
| 3. | Mr. Vishal Mahadevia | Non-Executive, Non-Independent Director |
| 4. | Mr. M S Sundara Rajan | Independent Director |

Mr. Satish Gaikwad, Head - Legal, Compliance & Company Secretary, acts as secretary to the audit committee.

The broad terms of reference/scope of the audit committee include:

- The terms of reference as mentioned under Clause 49 of the Equity Listing Agreement, as amended from time to time
- The terms of reference as mentioned under Section 177(4) and Section 177(9) of the Companies Act, 2013 and rules thereto, as amended from time to time and
- The terms of reference as required to be complied under applicable rules/regulations/circulars issued by Reserve Bank of India in this regard from time to time.

The powers of the audit committee shall include the powers:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

***Nomination and Remuneration Committee***

The Board has constituted a nomination and remuneration committee. Pursuant to the last re-constitution of the nomination and remuneration on April 12, 2013, the committee comprises of the following members:

| Sr. No | Name of the Director | Designation |
|---|---|---|
| 1. | Mr. N. C. Singhal | Independent Director (Chairman) |
| 2. | Mr. Hemang Raja | Independent Director |
| 3. | Mr. M S Sundara Rajan | Independent Director |
| 4. | Mr. Vishal Mahadevia | Non-Executive, Non-Independent Director |

Mr. Satish Gaikwad, Head - Legal, Compliance & Company Secretary, acts as secretary to the nomination and remuneration committee.

The broad terms of reference of the nomination and remuneration committee are in accordance with the requirements of Clause 49 of the Equity Listing Agreement, the Companies Act, 2013 and rules thereunder, and the Reserve Bank of India Act, 1934 and also per the circulars issued by the RBI from time to time and as may be applicable from time to time. Further, the nomination and remuneration committee is authorized to perform, *inter alia*, the following functions:

- The role as mentioned under Clause 49 of the Equity Listing Agreement and as amended from time to time and
- The functions as mentioned under Section 178 of the Companies Act, 2013 and the rules thereto, as amended from time to time

***Stakeholders' Relationship Committee***

The Board has constituted a stakeholders' relationship committee. Pursuant to the last re-constitution of the stakeholders' relationship on February 10, 2015, the committee comprises of the following members:

| Sr. No | Name of the Director | Designation |
|---|---|---|
| 1. | Dr. (Mrs.) Brinda Jagirdar | Independent Director (Chairman) |
| 2. | Mr. Hemang Raja | Independent Director |
| 3. | Mr. V. Vaidyanathan | Chairman & Managing Director |

Mr. Satish Gaikwad, Head - Legal, Compliance & Company Secretary, acts as secretary to the stakeholders' relationship committee.

The broad terms of reference of the stakeholders' relationship committee are in accordance with the requirements of the Companies Act, 2013 and rules thereunder, and Clause 49 of the Equity Listing Agreement as may be applicable from time to time. Further, the stakeholders' relationship committee is authorized to perform, *inter alia*, the following functions:

- To specifically look into the redressal of grievances of shareholders, debenture holders and other security holders.
- To carry out such function for redressal of shareholders and investors complaints, including but not limited to, transfer of shares, non-receipt of balance sheet, non-receipt of dividends and any other grievance that a shareholder or investor of our Company may have against our Company.

As of December 31, 2014, all complaints were solved to the satisfaction of the complainants and there were no pending complaints received from investors.

***Corporate Social Responsibility Committee***

The Board has constituted a corporate social responsibility committee. Pursuant to the last re-constitution of the corporate social responsibility on February 10, 2015, the committee comprises of the following members:

| Sr. No | Name of the Director | Designation |
|---|---|---|
| 1. | Mr. Hemang Raja | Independent Director (Chairman) |
| 2. | Mr. Vishal Mahadevia | Non-Executive, Non-Independent Director |
| 3. | Dr. (Mrs.) Brinda Jagirdar | Independent Director |
| 4. | Mr. V. Vaidyanathan | Chairman & Managing Director |

Mr. Satish Gaikwad, Head - Legal, Compliance & Company Secretary, acts as secretary to the corporate social responsibility committee.

The corporate social responsibility committee prepared a corporate social responsibility policy indicating the activities to be undertaken by our Company as specified under the Companies Act, 2013 and is responsible for administering and executing the same. Further, the corporate social responsibility committee is authorized to perform, *inter alia*, the following functions:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified;
- Recommend the amount of expenditure to be incurred on the activities referred to in the aforementioned point; and
- Monitor the Corporate Social Responsibility Policy of the Company from time to time.

**Borrowing Powers of the Board**

The Board of Directors are authorised, by way of a special resolution passed by the Shareholders of our Company by way of postal ballot dated September 10, 2014 in accordance with Section 180(1)(c) and all other applicable provisions, if any, of the Companies Act and the Articles, to borrow of monies, from time to time, in any form including but not limited to bank/institutional loans, inter corporate deposit(s), credit facilities, debentures (redeemable, convertible, non-convertible, structured or unstructured), other non-convertible instruments, sub-debt, perpetual debt or in any other form, upon such terms and conditions as to interest, repayment, or otherwise and with or without security, as the Board may think fit for the purposes of our Company's business notwithstanding that the money or monies to be borrowed, together with the monies already borrowed by our Company (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of our Company and its free reserves, provided however, the total amount so borrowed (apart from the temporary loans obtained from our Company's bankers in the ordinary course of business) shall not exceed at any point in time (excluding any interest on such borrowings) a sum equivalent to ₹ 100 billion over and above the aggregate, for the time being, of the paid-up capital and free reserves of our Company.

**Policy on Disclosures and Internal Procedure for prevention of Insider Trading**

Regulation 12(1) of the Insider Trading Regulations applies to us and our employees and requires us to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company is in compliance with the same and has implemented an insider policy for employees. Mr. Satish Gaikwad, Head - Legal, Compliance & Company Secretary, acts as the compliance officer of our Company. In terms of the Companies Act, 2013, the directors and the key managerial personnel are prohibited from (a) acquiring an option over, or entering into forward dealings in, securities of our Company, its subsidiaries or associate companies; and (b) engaging in insider trading.

**Key Managerial Personnel**

The following are the details of the key managerial personnel of our Company:

**Mr. V. Vaidyanathan - Chairman & Managing Director**

Mr. V. Vaidyanathan aged 47, is our Chairman & Managing Director. He has an experience of more than two decades in Banking and Financial Services with Citibank, ICICI Bank Limited and Capital First Limited in senior positions. At the time of leaving ICICI Group, he was the Managing Director and Chief Executive Officer of ICICI Prudential Life Insurance Company, a position he held since 2009. Earlier, he was appointed as a member on the Board of ICICI Bank Limited as Executive Director in 2006 at an age of 38. Further, he has also served as the Chairman of ICICI Home Finance Company Limited, and served on the Board of ICICI Lombard General Insurance Company and Credit Information Bureau of India Limited (CIBIL). Prior to this, he was the Managing Director of ICICI Personal Financial Services Limited in 2001. He started his career with Citibank India in Consumer Banking Division, and was with the bank from June 1990 till March 2000, when he left to join ICICI Limited, which is now ICICI Bank Limited. He is an alumnus of Birla Institute of Technology and Harvard Business School.

**Mr. Pankaj Sanklecha - Chief Financial Officer & Head - Corporate Centre**

Mr. Pankaj Sanklecha, aged 44, is the Chief Financial Officer & Head - Corporate Centre of our Company. He has obtained a bachelor's degree in Commerce from the University of Mumbai. He is a qualified Chartered Accountant and has about 19 years of experience in the retail and small and medium enterprises banking. He has been employed with our Company since December 2010 and was appointed as the Chief Financial Officer and Head - Corporate Centre of our Company on November 5, 2012.

**Mr. Satish Gaikwad - Head - Legal, Compliance & Company Secretary**

Mr. Satish Gaikwad, aged 35, is the Head - Legal, Compliance & Company Secretary of our Company. He has completed his bachelor's of Law from University of Mumbai and is a member of the Institute of Company Secretaries of India and Institute of Cost and Works Accountants of India. He has more than 12 years of experience in secretarial, legal and compliance functions and has worked at organisations such as Mahindra and Mahindra Limited, The Dharamsi Morarji Chemical Company Limited, Hathway Bhawani Cabletel & Datacom Limited and National Peroxide Limited. He has been employed with our Company since May 21, 2012.

**Interest of Key Managerial Personnel**

Except to the extent of the remuneration or benefits to which our Company's key managerial personnel are entitled as per the terms of their employment, or reimbursement of expenses incurred by them in the ordinary course of business, or to the extent of their shareholding in our Company, our key managerial personnel do not have any other interest in our Company.

**Shareholding of Key Managerial Personnel**

The following table sets forth details regarding the shareholding of the key managerial personnel in our Company as of December 31, 2014:

| Name | Position | Number of Equity Shares | Percentage of pre-Issue paid up Equity Share capital |
|---|---|---|---|

| Name | Position | Number of Equity Shares | Percentage of pre-Issue paid up Equity Share capital |
|---|---|---|---|
| Mr. V. Vaidyanathan | Chairman & Managing Director | 341,496* | 0.41* |
| Mr. Pankaj Sanklecha | Chief Financial Officer & Head Corporate Centre | 68,500# | 0.08# |
| Mr. Satish Gaikwad | Head - Legal, Compliance & Company Secretary | 0^ | 0.00^ |

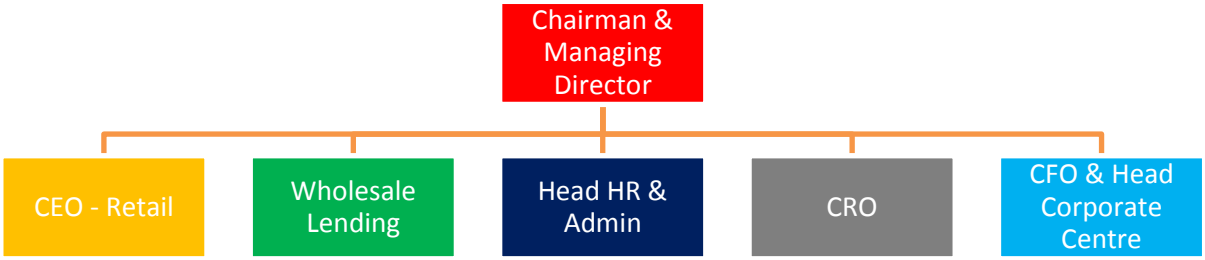
** Additionally, Mr. V. Vaidyanathan also holds 7,491,000 options under various ESOS Schemes. Further, JV and Associates LLP holds 4,773,795 Equity Shares, in which Mr. V. Vaidyanathan is a designated partner.*
*# Additionally, Mr. Pankaj Sanklecha also holds 396,500 options under various ESOS Schemes.*
*^ Mr. Satish Gaikwad holds 5,000 options under ESOS 2011.*

**Other confirmations**

None of the Directors, Promoters or key managerial personnel of our Company has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

**Management organizational structure**

The organizational structure of our Company is as represented in the chart below:



## PRINCIPAL SHAREHOLDERS AND OTHER INFORMATION

### Corporate history relating to incorporation and change of name

Our Company was originally incorporated on October 18, 2005, in the Republic of India with limited liability under the Companies Act, 1956, as a private limited company under the name 'KB Infin Private Limited'. Subsequently, our Company converted from a private limited company to a public limited company pursuant to a special resolution of our Shareholders dated April 27, 2006 with a fresh certificate of incorporation dated August 31, 2006. Thereafter, pursuant to a special resolution of the Shareholders dated November 29, 2006, the name of our Company was changed to 'Future Capital Holdings Limited' with a fresh certificate of incorporation dated December 21, 2006. Further, pursuant to a special resolution of the Shareholders dated September 25, 2012, the name of our Company was changed to 'Capital First Limited' with a fresh certificate of incorporation dated November 8, 2012. The corporate identity number of our Company is L29120MH2005PLC156795.

The registered and corporate office of our Company is located at 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013, Maharashtra, India.

The Equity Shares have been listed on the Stock Exchanges since the year 2008.

### Shareholding Pattern

The shareholding pattern of our Company as of December 31, 2014 is as follows:

| **Category Code (I)** | **Category of Shareholder (II)** | **No of Shareholders (III)** | **Total No of Shares (IV)** | **Number of shares held in dematerialized Form (V)** | **Total Shareholding as percentage of total number of shares** | | **Shares Pledged or otherwise encumbered** | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **As a percentage of (A+B) (VI)** | **As a percentage of (A+B+C) (VII)** | **No of Shares (VIII)** | **As a percentage (IX=VIII/IV*100)** |
| **(A)** | **Shareholding of Promoter and Promoter Group** | | | | | | | |
| **(1)** | **Indian** | | | | | | | |
| (a) | Individuals/Hindu Undivided Family | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (b) | Central Government/State Governments | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (c) | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (d) | Financial Institutions/Banks | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (e) | Any Other (Specify) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| | **Sub -Total (A)(1)** | **0** | **0** | **0** | **0.00** | **0.00** | **0** | **0.00** |
| **(2)** | **Foreign** | | | | | | | |
| (a) | Individuals(Non-Resident Individuals/Foreign Individuals) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (b) | Bodies Corporate | 2 | 59,485,602 | 59,485,602 | 71.56 | 71.56 | 0 | 0.00 |

| Category Code (I) | Category of Shareholder (II) | No of Shareholders (III) | Total No of Shares (IV) | Number of shares held in dematerialized Form (V) | Total Shareholding as percentage of total number of shares | | Shares Pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|---|
| (c) | Institutions | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (d) | Qualified Foreign Investors | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (e) | Any Other (Specify) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| | **Sub -Total (A)(2)** | **2** | **59,485,602** | **59,485,602** | **71.56** | **71.56** | **0** | **0.00** |
| | **Total of Promoter and Promoter Group (A)=(A)(1)+(A)(2)** | **2** | **59,485,602** | **59,485,602** | **71.56** | **71.56** | **0** | **0.00** |
| **(B)** | **Public Shareholding** | | | | | | | |
| **(1)** | **Institutions** | | | | | | | |
| (a) | Mutual Funds /UTI | 6 | 2,091,114 | 2,091,114 | 2.52 | 2.52 | 0 | 0.00 |
| (b) | Financial Institutions/Banks | 7 | 118,378 | 118,378 | 0.14 | 0.14 | 0 | 0.00 |
| (c) | Central Government/State Governments | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (e) | Insurance Companies | 2 | 3,271,296 | 3,271,296 | 3.94 | 3.94 | 0 | 0.00 |
| (f) | Foreign Institutional Investors | 14 | 3,198,479 | 3,198,479 | 3.85 | 3.85 | 0 | 0.00 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (h) | Qualified Foreign Investors | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (i) | Any Other (Specify) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| | Foreign Financial Institutions | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| | **Sub -Total (B)(1)** | **29** | **8,679,267** | **8,679,267** | **10.44** | **10.44** | **0** | **0.00** |
| **(2)** | **Non-Institutions** | | | | | | | |
| (a) | Bodies Corporate | 719 | 6,345,941 | 6,345,941 | 7.63 | 7.63 | 0 | 0.00 |
| (b) | Individuals | | | | | | | |
| | i.Individual shareholders holding nominal sharecapital up to₹ 1 Lakh. | 119,537 | 5,550,125 | 5,549,900 | 6.68 | 6.68 | 0 | 0.00 |
| | ii.Individual shareholders holding nominal sharecapital in | 49 | 1,493,881 | 1,493,881 | 1.80 | 1.80 | 0 | 0.00 |

| Category Code (I) | Category of Shareholder (II) | No of Shareholders (III) | Total No of Shares (IV) | Number of shares held in dematerialized Form (V) | Total Shareholding as percentage of total number of shares | | Shares Pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|---|
| | excess of ₹ 1 Lakh. | | | | | | | |
| (c) | Qualified Foreign Investors | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| (d) | Any Other (Specify) | | | | | | | |
| 1 | Non Resident Indians (Repat) | 475 | 1,124,810 | 1,124,810 | 1.35 | 1.35 | 0 | 0.00 |
| 2 | Non Resident Indians (Non-Repat) | 176 | 138,628 | 138,628 | 0.17 | 0.17 | 0 | 0.00 |
| 3 | Clearing Member | 309 | 311,526 | 311,526 | 0.37 | 0.37 | 0 | 0.00 |
| 4 | Trusts | 7 | 1,064 | 1,064 | 0.00 | 0.00 | 0 | 0.00 |
| | **Sub -Total (B)(2)** | **121,272** | **14,965,975** | **14,965,750** | **18.00** | **18.00** | **0** | **0.00** |
| | **Total Public Shareholding B=(B)(1)+(B)(2)** | **121,301** | **23,645,242** | **23,645,017** | **28.44** | **28.44** | **NA** | **NA** |
| | **TOTAL (A) +(B)** | **121,303** | **83,130,844** | **83,130,619** | **100.00** | **100.00** | **NA** | **NA** |
| **(C)** | **Shares held by Custodians and against which Depository Receipts have been issued** | | | | | | | |
| 1 | Promoter and Promoter Group | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| 2 | Public | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| | **Sub - Total (C)** | **0** | **0** | **0** | **0.00** | **0.00** | **0** | **0.00** |
| | **GRAND TOTAL (A)+(B)+(C)** | **121,303** | **83,130,844** | **83,130,619** | **100.00** | **100.00** | **0** | **0.00** |

| Sr. No. | Notes to Shareholding Pattern of our Company as of December 31, 2014 |
|---|---|
| 1 | 61,72,840 Equity shares of Cloverdell Investment Ltd shall be locked upto September 27, 2015. |
| 2 | 83,57,145 Equity shares to Cloverdell Investment Ltd shall be locked upto April 24, 2017. |
| 3 | 32,50,000 Equity shares to HDFC Standard Life Insurance Co. Ltd shall be locked upto April 24, 2015. |

**Shareholding of securities of persons belonging to the category "Promoter and Promoter Group".**

The following table sets out the details of Equity Shares held by the Promoters and promoter group of our Company as of December 31, 2014:

| Sl. No | Name of the | Details of Shares held | Encumbered Shares | Details of Warrants | Details of Convertible Securities | Total shares |
|---|---|---|---|---|---|---|

| . | Shareholder | No. of shares held | As a % of total no. of equity shares outstanding as of December 31, 2014 | No. of shares held | As a % | As a % of total no. of equity shares outstanding as of December 31, 2014 | No. of warrants held | As a % total number of warrants of the same class | No. of convertible securities | As a % total number of convertible securities of the same class | (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **(I)** | **(II)** | **(III)** | **(IV)** | **(V)** | **(VI) = (V) / (III) x 100** | **(VII)** | **(VIII)** | **(IX)** | **(X)** | **(XI)** | **(XII)** |
| 1. | Cloverdell Investment Ltd | 58,237,645 | 70.06 | 0 | 0.00 | 0.00 | 0 | 0.00 | 0 | 0.00 | 70.06 |
| 2. | Dayside Investment Ltd | 1,247,957 | 1.50 | 0 | 0.00 | 0.00 | 0 | 0.00 | 0 | 0.00 | 1.50 |
| **Total** | | **5,948,5602** | **71.56** | **0** | **0.00** | **0.00** | **0** | **0.00** | **0** | **0.00** | **71.56** |

**Shareholding of securities belonging to the category "Public" and holding more than 1% of the total number of Equity Shares as of December 31, 2014.**

| Sr. No. | Name of the Shareholder | No. of shares held | As a % of total no. of equity shares outstanding as of December 31, 2014 | Details of Warrants | | Details of Convertible Securities | | Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital |
|---|---|---|---|---|---|---|---|---|
| | | | | No. of warrants held | As a % total number of warrants of the same class | No. of convertible securities | As a % total number of convertible securities of the same class | |
| 1. | JV and Associates LLP | 4,773,795 | 5.74 | 0 | 0.00 | 0 | 0.00 | 5.74 |
| 2. | HDFC Standard Life Insurance Company Limited | 3,250,668 | 3.91 | 0 | 0.00 | 0 | 0.00 | 3.91 |
| 3. | Government Pension Fund Global | 1,347,741 | 1.62 | 0 | 0.00 | 0 | 0.00 | 1.62 |
| 4. | DSP Blackrock Micro Cap Fund | 1,357,846 | 1.63 | 0 | 0.00 | 0 | 0.00 | 1.63 |
| 5. | Alok Oberoi | 838,250 | 1.01 | 0 | 0.00 | 0 | 0.00 | 1.01 |
| **Total** | | **11,568,300** | **13.92** | **0** | **0.00** | **0** | **0.00** | **13.92** |

## REGULATIONS AND POLICIES

*The following description is a summary of the important laws, regulations and policies that are applicable to our business. The information detailed below has been obtained from the various legislations, including rules and regulations promulgated by regulatory bodies, and the bye-laws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice. The statements below are based on the current provisions of Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

*In addition to the regulations and policies already specified in this Placement Document, taxation statutes such as the IT Act, various labour laws, environmental laws and other miscellaneous laws apply to us as they do to any other Indian company.*

As per the RBI Act, a financial institution has been defined as a company which includes a non-banking institution carrying on as its business or part of its business the financing activities, whether by way of making loans or advances or otherwise, of any activity, other than its own and it is engaged in the activities of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by the Government of India or other local authorities or other marketable securities of like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of carrying out any agricultural or industrial activities or the sale/purchase/construction of immovable property.

Any company which carries on the business of a non-banking financial institution as its principal business is to be treated as an NBFC. Since the term 'principal business' has not been defined in law, the RBI has clarified through a press release (Ref. No. 1998-99/ 1269) in 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will be treated as an NBFC if its financial assets are more than 50% of its total assets (netted off by intangible assets) and income from financial assets should be more than 50% of the gross income. Both these tests are required to be satisfied as the determinating factor for principal business of a company.

With effect from 1997, NBFCs were not permitted to commence or carry on the business of a non-banking financial institution without obtaining a Certificate of Registration (CoR). Further, with a view to imparting greater financial soundness and achieving the economies of scale in terms of efficiency of operations and higher managerial skills, the RBI has raised the requirement of minimum net owned fund from ₹ 2.50 million to ₹ 20 million for the NBFC which commences business on or after April 21, 1999. Further, every NBFC is required to submit to the RBI a certificate, from its statutory auditor within one month from the date of finalization of the balance sheet and in any case not later than December 30th of that year, stating that it is engaged in the business of non-banking financial institution requiring it to hold a CoR.

### 1. Regulation of NBFCs registered with the RBI

NBFCs are primarily governed by the RBI Act, 1934 ("**RBI Act**"), the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, ("**Prudential Norms**"), the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, ("**Public Deposit Directions**"), the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("**Non- Deposit Accepting NBFC Directions**"), and the provisions of the Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. In addition to these regulations, NBFCs are also governed by various circulars, notifications, guidelines and directions issued by the RBI from time to time.

### 2. Types of Activities that NBFCs are permitted to carry out

Although by definition, NBFCs are permitted to operate in similar sphere of activities as banks, there are a few important, key differences. The most important distinctions are:

(i) an NBFC cannot accept deposits repayable on demand – in other words, NBFCs can only accept fixed term deposits. Thus, NBFCs are not permitted to issue negotiable instruments, such as cheques which are payable on demand; and

(ii) NBFCs are not allowed to deal in foreign exchange, even if they specifically apply to the RBI for approval in this regard.

## 3. Regulatory Requirements of an NBFC under the RBI Act

*Net Owned Fund*

Section 45-IA of the RBI Act provides that to carry on the business of a NBFC, an entity would have to register as an NBFC with the RBI and would be required to have a minimum net owned fund of ₹ 20,000,000 (Rupees twenty million only). For this purpose, the RBI Act has defined "net owned fund" to mean:

(a) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company, after deducting:

(i) accumulated balance of losses,
(ii) deferred revenue expenditure and
(iii) other intangible assets; and

(b) further reduced by the amounts representing,

(i) investment by such companies in shares of (i) its subsidiaries, (ii) companies in the same group, (iii) other NBFCs, and
(ii) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (i) subsidiaries of such companies; and (ii) companies in the same group,

to the extent such amount exceeds 10% of (a) above.

*Capital Reserve Fund*

In addition to the above, Section 45-IC of the RBI Act requires NBFCs to create a reserve fund and transfer therein a sum of not less than 20% of its net profits earned annually before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purpose as may be specified by the RBI from time to time and every such appropriation is required to be reported to the RBI within 21 days from the date of such withdrawal.

## 4. Non-Deposit Accepting NBFC Directions

The RBI has issued the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended ("**Non- Deposit Accepting NBFC Directions** "), which contain detailed directions on prudential norms for an NBFC-ND. The Non- Deposit Accepting NBFC Directions, amongst other requirements prescribe guidelines regarding income recognition, asset classification, provisioning requirements, constitution of audit committee, capital adequacy requirements, and concentration of credit/investment. In terms of the Non-Deposit Accepting NBFC Directions read with the RBI notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', all NBFCs-ND with an asset size of ₹ 5,000 million or more as per their last audited balance sheet will be considered as a systemically important NBFC-ND-SI.

***Asset Classification***

The Non-Deposit Accepting NBFC Directions require that every NBFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes:

(i) Standard assets;
(ii) Sub-standard assets;
(iii) Doubtful assets; and
(iv) Loss assets.

Further, such class of assets would not be entitled to be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for such up-gradation.

At present, an asset is classified as NPA when it has remained overdue for a period of six months or more for loans; and overdue for twelve months or more in case of lease rental and hire purchase instalments. However, pursuant to a RBI notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', the asset classification norms for NBFCs-ND-SI and NBFCs-D are being revised, in a phased manner, as given below.

Lease Rental and Hire-Purchase Assets shall become NPA:

(i) if they become overdue for 9 months (currently 12 months) for the financial year ending March 31, 2016;
(ii) if overdue for 6 months for the financial year ending March 31, 2017; and
(iii) if overdue for 3 months for the financial year ending March 31, 2018 and thereafter.

Assets other than Lease Rental and Hire-Purchase Assets shall become NPA:

(i) if they become overdue for 5 months for the financial year ending March 31, 2016;
(ii) if overdue for 4 months for the financial year ending March 31, 2017; and
(iii) if overdue for 3 months for the financial year ending March 31, 2018 and thereafter.

For all loan and hire-purchase and lease assets, sub-standard asset would mean:

(i) an asset that has been classified as NPA for a period not exceeding 16 months (currently 18 months) for the financial year ending March 31, 2016;
(ii) an asset that has been classified as NPA for a period not exceeding 14 months for the financial year ending March 31, 2017; and
(iii) an asset that has been classified as NPA for a period not exceeding 12 months for the financial year ending March 31, 2018 and thereafter.

For all loan and hire-purchase and lease assets, doubtful asset would mean:

(iv) an asset that has remained sub-standard for a period exceeding 16 months (currently 18 months) for the financial year ending March 31, 2016;
(v) an asset that has remained sub-standard for a period exceeding 14 months for the financial year ending March 31, 2017; and
(vi) an asset that has remained sub-standard for a period exceeding 12 months for the financial year ending March 31, 2018 and thereafter.

For the existing loans, a one-time adjustment of the repayment schedule, which shall not amount to restructuring will, however, be permitted.

***Provisioning Requirements***

An NBFC-ND, after taking into account the time lag between an account becoming non performing, its recognition, as such, the realization of the security and erosion overtime in the value of the security charged, shall make provisions against sub-standard assets, doubtful assets and loss assets in the manner provided for in the Non- Deposit Accepting NBFC Directions. At present, every NBFC is required to make a provision for standard assets at 0.25% of the outstanding, however, pursuant to a RBI notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', the provision for standard assets for NBFCs-ND-SI and for all NBFCs-D, has been increased to 0.40%. The compliance to the revised norm will be phased in as given below:

- 0.30% by the end of March 2016.
- 0.35% by the end of March 2017.
- 0.40% by the end of March 2018.

***Exposure Norms***

The Non- Deposit Accepting NBFC Directions prescribe concentration of credit / investment exposure norms in respect of the loans granted and investments undertaken by a NBFC-ND-SI. An NBFC-ND-SI shall not lend exceeding 15% of its owned fund to any single borrower and any single group of borrowers exceeding 25% of its owned fund. As regards to investments, an NBFC-ND- SI shall not invest in the shares of another company exceeding 15% of its owned fund and shares of a single group of companies exceeding 25% of its owned fund.

The loans and investments of NBFC-ND-SI taken together shall not exceed 25% of its owned fund to single party and 40% of its owned fund to a single group of parties. However, this prescribed ceiling shall not be applicable on an NBFC-ND-SI for investments in the equity capital of an insurance company to the extent specifically permitted by the RBI. Further, an NBFC-ND-SI, which is classified as Asset Finance Company, may in exceptional circumstances, exceed the above ceilings on credit / investment concentration to a single party or a single group of parties by 5% of its owned fund, with the approval of its board . Any NBFC-ND-SI not accessing public funds, either directly or indirectly, or not issuing guarantees may make an application to the RBI for an appropriate dispensation consistent with the spirit of the exposure limits. Further, every NBFC-ND-SI is required to formulate a policy in respect of exposures to a single party/a single group of parties.

***Capital Adequacy Norms***

In general, every NBFC-ND-SI shall maintain a minimum capital ratio consisting of Tier I capital and Tier II capital of not less than 15% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items is require to be maintained. The total of the Tier II capital of NBFC-ND shall not exceed 100% of the Tier I capital. The RBI has prescribed that NBFCs primarily engaged in lending against gold jewelry (which will include our Company) have to maintain a minimum Tier I capital of 12% from April 1, 2014. Further, pursuant to a RBI notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', all NBFCs-ND having an asset size of ₹ 5,000 million and above, shall maintain Tier I capital of 10%. The compliance to the revised Tier 1 capital will be phased in as follows:

- 8.5% by end of March 2016.
- 10% by end of March 2017.

***Asset Liability Management***

The RBI has prescribed the Guidelines for Asset Liability Management ("**ALM**") System in relation to NBFCs ("**ALM Guidelines**") that are applicable to all NBFCs through a Master Circular on Miscellaneous Instructions to All Non-Banking Financial Companies dated July 1, 2014. As per this Master Circular, the NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investment and residuary non-banking companies) meeting certain criteria, including, an asset base of ₹ 1,000 million, irrespective of whether they are accepting / holding public deposits or not, or holding public deposits of ₹ 200 million or more ( irrespective of the asset size) as per their audited balance sheet as of March 31, 2001, are required to put in place an ALM system. The ALM Guidelines mainly address liquidity and interest rate risks. In case of structural liquidity, the negative gap (i.e. where outflows exceed inflows) in the 1 to 30/31 days' time-bucket should not exceed the prudential limit of 15% of cash outflows of each time-bucket and the cumulative gap of up to one year should not exceed 15% of the cumulative cash outflows of up to one year. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit should be shown by a footnote in the relevant statement.

***Fair Practices Code***

On September 28, 2006 the RBI prescribed broad guidelines towards a fair practices code that was required to be framed and approved by the board of directors of all NBFCs. On July 1, 2014 the RBI issued a Master Circular on fair practices and has required that the Fair Practices Code of each NBFC is to, be published and disseminated on its website. Among others, the code prescribes the following requirements, to be adhered to by NBFCs:

(i) Inclusion of necessary information affecting the interest of the borrower in the loan application form.

(ii) Devising a mechanism to acknowledge receipt of loan applications and establishing a time frame within which such loan applications are to be disposed.
(iii) Conveying, in writing, to the borrower the loan sanctioned and terms thereof. The acceptance of such terms should be kept on record by the NBFC.
(iv) Giving notice to the borrower of any change in the terms and conditions and ensuring that changes are effected prospectively.
(v) Refraining from interfering in the affairs of the borrowers except for the purposes provided in the terms and conditions of the loan agreement.
(vi) Not resorting to undue harassment in the matter of recovery of loans.
(vii) Lay down an appropriate grievance redressal mechanism for resolving disputes.
(viii) Periodical review of the compliance of the fair practices code and the functioning of the grievances redressal mechanism at various levels of management, a consolidated report whereof may be submitted to the board of directors at regular intervals, as may be prescribed by it.

***KYC Guidelines***

The RBI has issued a Master Circular on Know Your Customer ("**KYC**") guidelines - Anti Money Laundering Standards (AML) - 'Prevention of Money Laundering Act, 2002 dated July 1, 2014 and advised all NBFCs to adopt such guidelines with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework on KYC and anti-money laundering standards is put in place. The KYC policies are required to have certain key elements such as customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines by the persons authorised by the NBFCs' and including brokers/ agents, due diligence of persons authorised by the NBFCs and customer service in terms of identifiable contact with persons authorised by NBFCs.

***Corporate Governance Guidelines***

To enable NBFCs to adopt best practices and greater transparency in their operations, the RBI has prescribed corporate guidelines in the Master Circular on Corporate Governance dated July 1, 2014. All NBFCs-ND-SI are required to adhere to certain corporate governance norms, including constitution of an audit committee, a nomination committee, an asset liability management committee and risk management committee and certain other norms in connection with disclosure, transparency and connected lending. Further, pursuant to a RBI notification dated November 10, 2014 on 'Revised Regulatory Framework for NBFC', the RBI has also prescribed certain additional requirements for all NBFCs-ND-SI, *inter alia*, of conducting an information systems audit of the internal systems and processes by the audit committee at least once in two years to assess operational risks faced by the company and for ensuring certain fit and proper criteria for the directors of the company with effect from March 31, 2015.

***Norms for Excessive Interest Rates***

The RBI, through its circular dated May 24, 2007, directed all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. In addition to the aforesaid instruction, the RBI has issued a Master Circular on Fair Practices Code dated July 1, 2014 for regulating the rates of interest charged by the NBFCs. These circulars stipulate that the board of each NBFC is required to adopt an interest rate model taking into account the various relevant factors including cost of funds, margin and risk premium. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers are required to be disclosed to the borrowers in the application form and expressly communicated in the sanction letter. Further, this is also required to be made available on the NBFCs website or published in newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

***Enhancement of Capital funds Raising Option***

Pursuant to the RBI circular on Enhancement of NBFCs' Capital Raising Option for Capital Adequacy Purposes dated October 29, 2008, NBFCs-ND-SI have been permitted to augment their capital funds by issuing perpetual debt instruments ("**PDI**") in accordance with the prescribed guidelines provided under the circular. Such PDI will be eligible for inclusion as Tier I capital to the extent of 15% of the total Tier I capital as on March 31 of the previous accounting year. Any amount in excess of the amount admissible as Tier I

capital will qualify as Tier II capital within the eligible limits. The minimum investment in each issue/tranche by any single investor shall not be less than ₹ 500,000. It has been clarified that the amount of funds so raised shall not be treated as public deposit within the meaning of clause 2 (1) (xii) of the Public Deposit Directions.

***Anti-Money Laundering***

The Prevention of Money Laundering Act, 2002 ("**PMLA**") was enacted to prevent money-laundering and to provide for confiscation of property derived from or involved in, money-laundering and for matters connected therewith or incidental thereto. The Government of India under PMLA has issued the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended ("**PML Rules**"). PMLA & PML Rules extends to all banking companies, financial institutions, including NBFCs and intermediaries.

The RBI has issued a Master Circular dated July 1, 2014 to ensure that a proper policy frame work for the PMLA and PML Rules is put in place. Pursuant to the provisions of PMLA, PML Rules and the RBI guidelines, all NBFCs are advised to appoint a principal officer for internal reporting / reporting to financial intelligence unit - India of suspicious transactions and cash transactions and to maintain a system of proper record (i) all cash transactions of value of more than ₹ 1 million - or its equivalent in foreign currency; (ii) all series of cash transactions integrally connected to each other which have been valued below ₹ 1 million or its equivalent in foreign currency, where such series of transactions have taken place within a month and the aggregate value of such transaction exceeds ₹ 1 million (iii) all cash transactions where forged or counterfeit transactions.

Additionally, NBFCs should ensure that records pertaining to the identification of their customers and their address are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data is to be made available to the competent authorities upon request.

**5. Guidelines on Securitization of Standard Assets**

The RBI issued revised 'Guidelines on Securitization of Standard Assets' (the "**Revised Guidelines**") through its circular dated May 7, 2012 to banks, and were made applicable to NBFCs by another circular dated August 21, 2012. The Revised Guidelines regulate assignment transactions, which were not covered under the earlier guidelines issued by the RBI. The Revised Guidelines impose a restriction on the offering of credit enhancement in any form and liquidity facilities in the case of loan transfers through direct assignment of cash flows. Further, the Revised Guidelines provide that loans can only be assigned or securitized if the NBFC has held them in their books for a specified minimum period. They also provide a mandatory retention requirement for securitization and assignment transactions.

**6. SARFAESI Act**

During the session for the Union Budget of India, 2015, announced on February 28, 2015, the Honorable Finance Minister of India proposed that NBFCs with assets of ₹ 5,000 million and above will be allowed to use the SARFAESI Act like any other financial institution. However, in this regard as on date of this Placement Document no notifications/circulars/notices have been issued for amending the SARFAESI Act.

**7. National Housing Bank**

***The National Housing Bank Act, 1987***

The National Housing Bank Act, 1987 (the "**NHB Act**"), was enacted to establish NHB to operate as a principal agency to promote HFCs both at the local and regional levels and to provide financial and other support to such institutions for matters connected therewith or incidental thereto. The business of the NHB, among others, includes promoting, establishing, supporting or aiding in the promotion, establishment and for housing activities of HFCs, scheduled banks, state co-operative agricultural and rural development banks or any other institution or class of institutions as may be notified by the Central Government; making loans and advances or other forms of financial assistance to; guaranteeing the financial obligations of HFCs and

underwriting the issue of stocks, shares, debentures and other securities of HFCs; formulating one or more schemes for the purpose of mobilisation of resources and extension of credit for housing; providing guidelines to the HFCs to ensure their growth on sound lines; providing technical and administrative assistance to HFCs and exercising all powers and functions in the performance of duties entrusted to the NHB under the NHB Act or under any other law for the time being in force.

***The Housing Finance Companies (National Housing Bank) Directions, 2010, as amended***

The objective of the NHB Directions, 2010 is to consolidate and issue directions in relation to the acceptance of deposits by the housing finance institutions. Additionally, the NHB Directions, 2010 provide the prudential norms for income recognition, accounting standards, asset classification, provision for bad and doubtful assets, capital adequacy and concentration of credit/investment to be observed by the housing finance institutions and the matters to be included in the auditors' report by the auditors of housing finance institutions.

Pursuant to the NHB Directions, 2010 no HFC shall accept or renew public deposits unless the HFC has obtained minimum investment grade rating for its fixed deposits from any one of the approved rating agencies, at least once a year and a copy of the rating is sent to the NHB and it is complying with all the prudential norms, provided that:

(i) an HFC having obtained credit rating for its fixed deposits not below the minimum investment grade rating as above and complying with all the prudential norms, may accept public deposits not exceeding five times of its net owned funds; and

(ii) an HFC which does not have the requisite rating for its fixed deposits shall obtain the same within a period of six months time from the date of notification or such extended period as may be permitted by the NHB, to obtain the prescribed rating for its fixed deposits.

***Master Circular on Housing Finance issued by the RBI***

Pursuant to the Master Circular on Housing Finance dated July 1, 2014, as amended issued by the RBI ("**Master Circular**"), banks are eligible to deploy their funds under the housing finance allocation in any of three categories, i.e. (i) direct finance; (ii) indirect finance; or (iii) investment in bonds of the NHB/Housing and Urban Development Corporation Limited, or combination thereof. Indirect finance includes loans to HFCs, housing boards, other public housing agencies, etc., primarily for augmenting the supply of serviced land and constructed units.

Under the terms of the Master Circular, banks may grant loans to HFCs taking in to account (long-term) debt-equity ratio, track record, recovery performance and other relevant factors. All HFCs registered with NHB are eligible to apply for refinance from NHB and will be eligible subject to the refinance policy. The quantum of term loan to be sanctioned to them will not be linked to net owned funds as NHB has already prescribed the above referred ceiling on total borrowing of HFCs.

## 8. Other Regulations

### Applicable Foreign Investment Regime

*FEMA Regulations*

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion (DIPP), GoI which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("**FEMA Regulations**") to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

*Foreign Direct Investment*

FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy ("**FDI Policy**") by the DIPP. FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Under the automatic route, no prior Government approval is required for the issue of securities by Indian companies/ acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/ acquisition of securities.

Under the approval route, prior approval from the FIPB or RBI is required. FDI for the items/ activities that cannot be brought in under the automatic route (other than in prohibited sectors) may be brought in through the approval route. Further:

(a) As per the sector specific guidelines of the Government of India, 100% FDI/ NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

(b) Minimum Capitalisation Norms for fund based NBFCs:

(i) For FDI up to 51% -0.5 million to be brought upfront
(ii) For FDI above 51% and up to 75% - US$5 million to be brought upfront
(iii) For FDI above 75% and up to 100% - US$50 million out of which US$7.5 million to be brought up front and the balance in 24 months

(c) Minimum capitalization norm of US$0.5 million is applicable in respect of all permitted non fund based NBFCs with foreign investment

(d) NBFCs having foreign investment more than 75% and up to 100%, and with a minimum capitalisation of US$50 million, can set up step down subsidiaries for specific NBFC activities (without any restriction on the number of operating subsidiaries and without bringing in additional capital). Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US$50 million as at (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)

(e) Joint ventures operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b) (i), (b) (ii), (b) (iii) and (c) above.

## ISSUE PROCEDURE

*The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See "Selling Restrictions" and "Transfer Restrictions".*

**Qualified Institutions Placement**

The Issue is being made to QIBs in reliance upon Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations, through the mechanism of a QIP. A company may issue equity shares to QIBs provided that certain conditions are met by the company. Some of these conditions are set out below:

- the issuer has completed all allotments with respect to any offer or invitation previously made by it or has withdrawn or abandoned any invitation or offer previously made by it;
- the issuer is in compliance with the minimum public shareholding requirements set out in the Securities Contract (Regulation) Rules, 1957;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the below-mentioned special resolution;
- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the relevant date;
- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;
- the offer must not be to more than 200 persons in a fiscal year. However, an offer to QIBs will not be subject to this limit of 200 persons. Prior to circulating the private placement offer letter, the issuer must prepare and record a list of QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by the issuer prior to the invitation to subscribe;
- issuer must offer to each allottee at least such number of the securities in the issue which would aggregate to ₹ 20,000 calculated at the face value of the securities;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same fiscal year does not exceed five times the net worth (as defined in the SEBI Regulations) of the issuer as per the audited balance sheet of the previous fiscal year; and
- the offering of securities by issue of public advertisements or utilization of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the Equity Shares issued to QIBs must be Allotted to Mutual Funds, provided that, if this portion or any part thereof to be Allotted to Mutual Funds remains unsubscribed, it may be Allotted to other QIBs.

Prospective purchasers will be required to make certain certifications in order to participate in the Issue including that they are either (A) outside the U.S. and purchasing the Equity Shares in accordance with Regulation S or (B) a "qualified institutional buyer" as defined in Rule 144A. See "Selling Restrictions".

Investors are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the related Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date.

The "relevant date" referred to above, for the Allotment, will be the date of the meeting in which the Board or the committee of Directors duly authorized by the Board decides to open the Issue and "stock exchange" means any of the stock exchanges in India on which the Equity Shares of our Company of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the relevant date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its Equity Listing Agreement for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of the Preliminary Placement Document and this Placement Document to the Stock Exchanges.

Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue was authorised and approved by the Board on September 24, 2014 and approved by the Shareholders through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014.

The Equity Shares will be Allotted within 12 months from the date of the Shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the relevant QIBs.

The Equity Shares issued pursuant to the QIP must be issued on the basis of the Preliminary Placement Document and this Placement Document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and this Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of Allottees for the Issue shall not be less than:

- two, where the Issue Size is less than or equal to ₹ 2,500 million; and
- five, where the Issue Size is greater than ₹ 2,500 million.

No single Allottee shall be Allotted more than 50% of the Issue Size. QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee. See "Issue Procedure - Application Process - Application Form".

**THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED, LISTED OR OTHERWISE QUALIFIED IN ANY OTHER JURISDICTION OUTSIDE INDIA AND MAY NOT BE OFFERED OR SOLD, AND BIDS MAY NOT BE MADE BY PERSONS IN ANY SUCH JURISDICTION, EXCEPT IN COMPLIANCE WITH THE APPLICABLE LAWS OF SUCH JURISDICTION.**

**Issue Procedure**

1. Our Company and the Book Running Lead Managers shall circulate serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form to the QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42 (7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom the Preliminary Placement Document, this Placement Document and the serially numbered Application Form have been dispatched. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. **UNLESS A SERIALLY NUMBERED PRELIMINARY PLACEMENT DOCUMENT ALONG WITH THE SERIALLY NUMBERED APPLICATION FORM IS ADDRESSED TO A PARTICULAR QIB, NO INVITATION TO SUBSCRIBE SHALL BE DEEMED TO HAVE BEEN MADE TO SUCH QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Bidders shall submit Bids for, and our Company shall issue and Allot to each Allottee at least such number of Equity Shares which would aggregate to ₹ 20,000 calculated at the face value of the Equity Shares.

4. QIBs may submit an Application Form, during the Bid/Issue Period to the Book Running Lead Managers.

5. QIBs will be required to indicate the following in the Application Form:

- name of the QIB to whom Equity Shares are to be Allotted;
- number of Equity Shares Bid for;
- price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at the Cut-Off Price which shall be any price as may be determined by our Company in consultation with the Book Running Lead Manager at or above the Floor Price or the Floor Price net of such discount as approved in accordance with SEBI Regulations.
- details of the Depository Participant account to which the Equity Shares should be credited; and
- a representation that it is either (i) outside the United States, or (ii) an institutional investor meeting the requirements of a "qualified institutional buyer" as defined in Rule 144A, and (iii) it has agreed to certain other representations set forth in the Application Form.

***NOTE*****:** *Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered an individual QIB and separate Application Forms would be required from each such sub-account for submitting Bids.*

6. Once a duly completed Application Form is submitted by a Bidder, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the Bidders shall be deemed to have been given notice of such date after receipt of the Application Form.

   The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with the SEBI.

7. Upon receipt of the Application Form, after the Bid/Issue Closing Date, our Company shall determine the final terms, including the Issue Price in consultation with the Book Running Lead Managers. Upon determination of the final terms of the Equity Shares, the Book Running Lead Managers will send the serially numbered CAN along with this Placement Document to the Bidders who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares Allocated to such Bidder. The CAN shall contain details such as the number of Equity Shares Allocated to the Bidder and payment instructions including the details of the amounts payable by the Bidder for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective Bidder. **PLEASE NOTE THAT THE ALLOCATION WILL BE AT THE ABSOLUTE DISCRETION OF OUR COMPANY AND WILL BE BASED ON THE RECOMMENDATION OF THE BOOK RUNNING LEAD MANAGERS.**

8. Pursuant to receiving a CAN, each Bidder shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective Bidders. No payment shall be made by Bidders in cash. Please note that any payment of application money for the Equity

Shares shall be made from the bank accounts of the relevant Bidders applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the Application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilized only for the purposes permitted under the Companies Act, 2013, i.e., the Escrow Account. See "Issue Procedure - Bank Account for Payment of Application Money".

9. Upon receipt of the application monies from the Bidders, our Company shall Allot Equity Shares as per the details in the CAN sent to the Bidders.

10. After passing the Board resolution for Allotment and prior to crediting the Equity Shares into the beneficiary accounts maintained with the Depository Participants by the Allottees, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate the Stock Exchanges the details of the Allotment.

11. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to the Issue into the Depository Participant accounts of the respective Allottees.

12. Our Company will then apply for the final trading approvals from the Stock Exchanges.

13. The Equity Shares that would have been credited to the beneficiary accounts with the Depository Participants of the Allottees shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges.

14. Upon receipt of intimation of final trading and listing approvals from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approvals. Our Company and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non- receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

**Qualified Institutional Buyers**

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest. Currently, under Regulation 2(1)(zd) of the SEBI Regulations, a QIB means:

- Eligible FPIs including FIIs and eligible sub-accounts;
- insurance companies registered with the Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Government; and
- insurance funds set up and managed by the Department of Posts, India.
- multilateral and bilateral development financial institutions;
- Mutual Funds, VCFs, AIFs and FVCIs;
- pension funds with minimum corpus of ₹ 250 million;
- provident funds with minimum corpus of ₹ 250 million;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- state industrial development corporations;

- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India.

**Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. FVCIs, VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.**

**ELIGIBLE NON-RESIDENT QIBS CAN PARTICIPATE IN THE ISSUE UNDER SCHEDULE 1 OF FEMA REGULATIONS. FIIS, SUB-ACCOUNTS (OTHER THAN A SUB-ACCOUNT WHICH IS A FOREIGN CORPORATE OR A FOREIGN INDIVIDUAL) AND OTHER ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER THE RESPECTIVE SCHEDULES OF FEMA REGULATIONS, IN THIS ISSUE. ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF ELIGIBLE THE FPIS DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD.**

In terms of the FPI Regulations, the Equity Shares issued to a single Eligible FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) should not exceed 10% of post-Issue Equity Share capital of our Company. Further, in terms of the FEMA Regulations, the total holding of each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all Eligible FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board followed by a special resolution passed by the Shareholders.

An FII or sub-account (other than a sub-account which is a foreign corporate or foreign individual) who holds a valid certificate of registration from the SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees has been paid as per the SEBI FII Regulations. An FII or a sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII or sub-account after registering as an FPI under the FPI Regulations.

In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made, either directly or indirectly, to any QIB being, or any person related to, the Promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to the "promoters" as defined in the SEBI Regulations:

- rights under a shareholders' agreement or voting agreement entered into with the Promoters or persons related to the Promoters;

- veto rights; or

- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the "promoters".

**OUR COMPANY AND THE BOOK RUNNING LEAD MANAGERS ARE NOT LIABLE FOR ANY AMENDMENT OR MODIFICATION OR CHANGE TO APPLICABLE LAWS OR REGULATIONS, WHICH MAY OCCUR AFTER THE DATE OF THIS PLACEMENT DOCUMENT. QIBS ARE ADVISED TO MAKE THEIR INDEPENDENT INVESTIGATIONS AND SATISFY THEMSELVES THAT THEY ARE ELIGIBLE TO APPLY. QIBS ARE ADVISED TO ENSURE THAT ANY SINGLE APPLICATION FROM THEM DOES NOT EXCEED THE INVESTMENT LIMITS OR MAXIMUM NUMBER OF EQUITY SHARES THAT CAN BE HELD BY THEM UNDER APPLICABLE LAW OR REGULATION OR AS SPECIFIED IN THIS**

**PLACEMENT DOCUMENT. FURTHER, QIBS ARE REQUIRED TO SATISFY THEMSELVES THAT THEIR BIDS WOULD NOT EVENTUALLY RESULT IN TRIGGERING A TENDER OFFER UNDER THE TAKEOVER CODE.**

***Note:*** *Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.*

**Application Process**

***Application Form***

Bidders shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the Preliminary Placement Document, the Bidder will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "Notice to Investors", "Selling Restrictions" and "Transfer Restrictions":

- The Bidder confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and is not excluded under Regulation 86 of the SEBI Regulations, has a valid and existing registration under the applicable laws in India and is eligible to participate in the Issue;

- The Bidder confirms that it is not a "promoter" and is not a person related to the "promoters", either directly or indirectly, and its Application Form does not directly or indirectly represent the "promoters" or "promoter group" or persons related to the "promoters" as defined in the SEBI Regulations;

- The Bidder confirms that it has no rights under a shareholders' agreement or voting agreement with the "promoters" or persons related to the "promoters", no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the "promoters" as defined in the SEBI Regulations;

- The Bidder acknowledges that it has no right to withdraw its Bid after the Bid/Issue Closing Date;

- The Bidder confirms that if Equity Shares are Allotted, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

- The Bidder confirms that it is eligible to Bid and hold Equity Shares so Allotted. The Bidder further confirms that the holding of the Bidder, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Bidder;

- The Bidder confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Code;

- The Bidder confirms that together with other Bidders that belongs to the same group or are under same control, the Allotment to the Bidder shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

    b. "Control" shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

- The Bidders shall not undertake any trade in the Equity Shares credited to their beneficiary accounts maintained with the Depository Participants until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

**EACH BIDDER MUST PROVIDE ITS DEPOSITORY PARTICIPANT ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, E-**

**MAIL ID AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. EACH BIDDER MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY PARTICIPANT ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT BIDDER.**

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for the Bidder to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the Bidder upon the issuance of the CAN by our Company in favor of the Bidder.

***Submission of Application Form***

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Book Running Lead Managers as per the details provided in the respective CAN. The Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

| Name | Address | Contact person | Email | Phone (telephone and fax) |
|---|---|---|---|---|
| Axis Capital Limited | Axis House, 5th Floor, C-2, Wadia International Centre, P. B. Marg, Mumbai - 400 025, Maharashtra, India | G. Venkatesh | venkatesh.iyer@axiscap.in | Telephone: + 91 22 4325 4587<br>Fax: + 91 22 4325 5599 |
| JM Financial Institutional Securities Limited | 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025, Maharashtra, India | Kailash Soni | kailash.soni@jmfl.com | Telephone: +91 22 6630 3266<br>Fax: +91 22 6630 3330 |

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the same.

***Permanent Account Number or PAN***

Each Bidder should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Forms are liable to be rejected on this ground.

**Pricing and Allocation**

***Build up of the Book***

The QIBs shall submit their Bids within the Bid/Issue Period to the Book Running Lead Managers. Such Bids cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

***Price Discovery and Allocation***

Our Company, in consultation with the Book Running Lead Manager, shall determine the Issue Price, which cannot be lower than the Floor Price. However, our Company may offer a discount of not more than 5% on the Floor Price, in accordance with Chapter VIII of the SEBI Regulations.

After finalization of the Issue Price, our Company shall update the Preliminary Placement Document with the Issue details and has filed the same with the Stock Exchanges as this Placement Document.

***Method of Allocation***

Our Company shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the Bidders at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Bidders will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

**THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL BIDDERS. BIDDERS MAY NOTE THAT ALLOCATION IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND BIDDERS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGERS IS OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.**

**CAN**

Based on the Application Forms received, our Company, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Bidders to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment in their respective names shall be notified to such Bidders. Additionally, a CAN will include details of the Escrow Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective Bidder‘s account.

The successful Bidders would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the successful Bidders shall be deemed a valid, binding and irrevocable contract for the successful Bidders to furnish all details that may be required by the Book Running Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such successful Bidders.

**QIBS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM.**

**Bank Account for Payment of Application Money**

Our Company has opened the “Capital First Limited - QIP Escrow Account” with Axis Bank Limited in terms of the arrangement among our Company, the Book Running Lead Managers and Axis Bank Limited as the Escrow Collection Bank. The successful Bidder will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

If the payment is not made favoring the “Capital First Limited - QIP Escrow Account” within the time stipulated in the CAN, the Application Form and the CAN of the successful Bidder are liable to be cancelled.

Our Company undertakes to utilize the amount deposited in “Capital First Limited - QIP Escrow Account” only for the purposes of (i) adjustment against Allotment; or (ii) repayment of application money if our Company is not able to Allot.

In case of cancellations or default by the Bidders, our Company and the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new Bidders at their sole and absolute discretion.

***Designated Date and Allotment of Equity Shares***

The Equity Shares will not be Allotted unless the successful Bidders pay the Issue Price to the “Capital First Limited -

QIP Escrow Account" as stated above.

The Equity Shares will be issued and Allotment shall be made only in dematerialized form. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the QIBs' Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the case of a QIB who has been Allotted more than five per cent of the Equity Shares in the Issue, our Company shall disclose the QIBs' name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. If you are Allotted any Equity Shares, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI.

The Escrow Collection Bank shall release the monies lying to the credit of the Escrow Account to our Company after Allotment.

In the event that our Company is unable to issue and Allot the Equity Shares or there is a cancellation of the Issue within 60 days from the date of receipt of application money from a Bidder, our Company shall repay the application money within 15 days from expiry of the 60 day period, failing which our Company shall repay that money to such Bidders with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the Bidders.

**Other Instructions**

***Right to Reject Applications***

Our Company, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

***Equity Shares in Dematerialized form***

The Allotment shall be only in dematerialized form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

A Bidder pursuant to the Issue must have at least one beneficiary account with a Depository Participant prior to making the Bid. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the successful Bidder.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialized form only for all QIBs in the demat segments of the respective Stock Exchanges.

Our Company and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

# PLACEMENT

## Placement Agreement

The Book Running Lead Managers have entered into a placement agreement dated March 19, 2015 with our Company (the "**Placement Agreement**"), pursuant to which the Book Running Lead Managers have agreed to manage the Issue and procure subscriptions for the Equity Shares on a reasonable efforts basis, to QIBs, pursuant to Section 42 of Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations.

The Placement Agreement contains customary representations, warranties and indemnities from our Company and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

The Preliminary Placement Document and this Placement Document have not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than QIBs. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

## Relationship with the Book Running Lead Managers

In connection with the Issue, the Book Running Lead Managers or its affiliates may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Managers may purchase the Equity Shares or be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. See "Representations by Investors - Offshore Derivative Instruments".

From time to time, the Book Running Lead Managers, and the affiliates and associates of such entity have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, banking, trading services for our Company, its Subsidiaries, group companies, affiliates and the Shareholders, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the Book Running Lead Managers and its affiliates and associates.

## Lock-up

Our Company shall not, without the consent of the Book Running Lead Managers, during the period commencing from the date of the Placement Agreement and ending 90 calendar days after the date of Allotment or failure of the Issue and the termination of the Placement Agreement, whichever is earlier, directly or indirectly: (i) issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or create any Encumbrances in relation to any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Equity Shares or any other securities convertible into or exercisable as or exchangeable for Equity Shares; or (iii) publicly announce any intention to enter into any transaction described in (i) or (ii) above; whether any such transaction described in (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise. The foregoing restriction shall not apply to any issuance, sale, transfer or disposition of Equity Shares by the Company (a) pursuant to this Issue; (b) pursuant to the ESOS Schemes; (c) to the extent such issuance, sale, transfer or disposition is required by any statutory or regulatory authorities or under Indian law.

## SELLING RESTRICTIONS

### General

No action has been taken or will be taken that would permit an offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to our Company or the Equity Shares in any jurisdiction where action for such purpose is required, except India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable laws, including the SEBI Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or will be deemed to have made, as applicable, the representations, warranties, acknowledgments and agreements as described in "Representations by Investors" and "Transfer Restrictions", respectively.

### Bahrain

The Issue is a private placement in Bahrain. Therefore, it is not subject to the regulations of the Central Bank of Bahrain that apply to public offerings of securities, and the extensive disclosure requirements and other protections that these regulations contain. This Placement Document is therefore intended only for accredited investors. The financial instruments offered by way of private placement may only be offered in minimum subscriptions of $100,000 (or equivalent in other currencies). The Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this Placement Document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Placement Document. To the best of our Company's board of directors' and management's knowledge and belief, who have taken all reasonable care to ensure that such is the case, the information contained in this Placement Document is in accordance with the facts and does not omit anything likely to affect the reliability of such information.

### European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

(a) to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

(b) to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Book Running Lead Managers; and

(c) in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive, provided that no such offering of Equity Shares shall result in a requirement for the publication by our Company or the Book Lead Running Managers of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and

includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Neither our Company nor the Book Running Lead Managers has authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary on their behalf, other than offers made by our Company or the Book Running Lead Managers.

**Hong Kong**

This Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Placement Document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorized by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Offer. If recipients are in any doubt about any of the contents of this Placement Document, they should obtain independent professional advice.

This Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. This Placement Document must not be issued, circulated or distributed in Hong Kong other than:

- to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**"); or

- in other circumstances which do not result in this Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorization by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of this Placement Document may issue, circulate or distribute this Placement Document in Hong Kong or make or give a copy of this Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

**Kuwait**

The Issue has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has our Company received authorisation or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Interests within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares may be rendered within Kuwait by our Company or persons representing our Company.

**Oman**

This Placement Document and the Equity Shares offered under it are issued and governed by the laws of India.

No offer or marketing of the Equity Shares has been or will be made by our Company from within the Sultanate of Oman and no subscription for Equity Shares may or will be effected or undertaken within the Sultanate of Oman. Our Company does not have a presence or representation in the Sultanate of Oman and any purchase of the Equity Shares will be deemed to be made in and under the laws of India.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Placement Document has not been registered or approved by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, and neither our Company nor the Book Running Lead Managers are authorized or licensed by the Central Bank

of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, to market or sell the Equity Shares within the Sultanate of Oman.

The Equity Shares offered under this Placement Document have not and will not be listed on any stock exchange in the Sultanate of Oman.

**Qatar**

This Placement Document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither our Company nor the Book Running Lead Managers are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither our Company nor the Book Running Lead Managers are, by distributing this Placement Document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

**Saudi Arabia**

This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Placement Document you should consult an authorised financial adviser.

**Singapore**

This Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). Accordingly, the Equity Shares may not be offered or sold, or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, in Singapore other than (i) to an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold

investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

**United Arab Emirates (excluding the Dubai International Financial Centre)**

The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates ("**U.A.E.**") other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this Placement Document does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. Our Company and the Equity Shares have not been approved or licensed by or registered with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the U.A.E. This Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. This Placement Document is being issued to a limited number of selected institutional and sophisticated investors, is not for general circulation in the U.A.E. and may not be provided to any person other than the original recipient or reproduced or used for any other purpose. If you do not understand the contents of this Placement Document, you should consult an authorised financial adviser. This Placement Document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

**Dubai International Financial Centre**

This Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Placement Document, you should consult an authorised financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a ''fund'' or a ''collective investment scheme'' within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

**United Kingdom (in addition to the European Economic Area selling restrictions above)**

The Equity Shares offered in the Issue cannot be promoted in the United Kingdom to the general public. The contents of this Placement Document have not been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended (the "**FSMA**"). The Book Running Lead Managers (a) may only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Company; and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure

observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

**United States of America**

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Our Company is an "investment company" as defined in the Investment Company Act and has not been and will not be registered under the Investment Company Act. Accordingly, the Equity Shares are being offered and sold only (a) to persons in the United States and to U.S. persons who are both U.S. QIBs and Qualified Purchasers pursuant to Section 4(a)(2) of the Securities Act and Section 3(c)(7) of the Investment Company and (b) to persons outside the United States who are non-U.S. persons in reliance on Regulation S.

In order to ensure that certain provisions of Title I of ERISA and Section 4975 of the Code do not apply to our Company, the Equity Shares are not being offered or sold to U.S. Retirement Plans and U.S. Retirement Plans are prohibited from purchasing or otherwise acquiring or holding, directly or indirectly, beneficial ownership of any Equity Shares at any time.

The Equity Shares are transferable only in accordance with the restrictions described in "Transfer Restrictions" and each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in "Transfer Restrictions".

## TRANSFER RESTRICTIONS

*Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any offer, resale, pledge or transfer of the Equity Shares.*

Purchasers are not permitted to sell the Equity Shares Allotted pursuant to the Issue for a period of one year from the date of Allotment, except on the Stock Exchanges. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirements. Additional transfer restrictions applicable to the Equity Shares are listed below.

**Persons in the United States or U.S. Persons**

Each purchaser of the Equity Shares in the United States or who is a U.S. person is deemed to have represented, warranted, agreed and acknowledged as follows:

- It understands that the Equity Shares have not been and will not be registered under the Securities Act or the laws of any U.S. state and that the offer and sale of the Equity Shares to it is made in reliance on an exemptions from the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act and applicable state securities laws.

- It understands and acknowledges that the Company has not registered, and does not intend to register, as an "investment company" (as such term is defined under the Investment Company Act) and that the Company has imposed the transfer and offering restrictions with respect to persons within the United States and U.S. persons described herein so that the Company will qualify for the exemption provided under Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an investment company.

- It is a U.S. QIB acquiring the Equity Shares for its own account or for the account of one or more U.S. QIBs, each of which is acquiring beneficial interests in the Equity Shares for its own account.

- It is a Qualified Purchaser acquiring the Equity Shares for its own account or for the account of one or more Qualified Purchaser, each of which is acquiring beneficial interests in the Equity Shares for its own account.

- It is not and will not be (or deemed to be) a U.S. Retirement Fund subject to ERISA or Section 4975 of the Code.

- It was not formed for the purpose of investing in the Company (unless each beneficial owner of its securities is a Qualified Purchaser) and it is not an affiliate (as defined in Rule 501(b) under the Securities Act) of the Company or a person acting on behalf of an affiliate of our Company.

- It did not purchase the Equity Shares as a result of any general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act.

- It represents and warrants that is buying the Equity Shares for investment purposes and not with a view to the distribution thereof. If in the future it decides to offer, sell, pledge or otherwise transfer any of the Equity Shares, it agrees that it will only offer, sell, pledge or otherwise transfer such Equity Shares) outside the United States to a purchaser not known by it to be a U.S. person in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S and in accordance with all applicable laws of any other jurisdiction, including India.

- It agrees that if it decides to offer, sell, pledge or otherwise transfer any of the Equity Shares in accordance with the restrictions set forth herein, except for a non-prearranged transaction executed on the BSE, the NSE or any other recognized stock exchange where the Equity Shares are listed, it shall obtain from the transferee a representation letter in substantially the same form as the representations in this section.

- It shall notify the executing broker and any other agent involved in any resale of the Equity Shares of the forgoing restrictions applicable to the Equity Shares and instruct such broker or agent to abide by such restrictions.

- It agrees not to issue, and to instruct its affiliates to not issue, “participatory notes”, “overseas derivative instruments” or similar instruments relating to the Equity Shares or the economic interest therein.

- It understands that the Equity Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and it agrees that it shall not deposit such Equity Shares into any unrestricted depository facility established or maintained by any depository bank.

- It agrees to indemnify and hold the Company and each of the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, warranties, agreements and acknowledgements herein.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It acknowledges that the Company and the Book Running Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements and acknowledgements and agrees that if any of such representations, warranties, agreements and acknowledgements is no longer accurate it will promptly notify the Company and the Book Running Lead Managers.

Any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions shall not be recognized by our Company.

In addition to the above representations, warranties, agreements and acknowledgements, each purchaser of the Equity Shares is deemed to have made the representations, warranties, agreements and acknowledgements set forth in "Representations by Investors".

**Non-U.S. Persons Outside the United States**

Each purchaser of the Equity Shares who is a non-U.S. person outside the United States is deemed to have represented, warranted, agreed and acknowledged as follows:

- It understands that the Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and are being offered and sold to it in accordance with Regulation S.

- It is a non-U.S. person.

- (A) it was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares was originated and (B) if it is a broker-dealer outside the United States acting on behalf of its customers, each of its customers has confirmed to it that such customer was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and such customer was outside the United States (within the meaning of Regulation S) when such customer's buy order for the Equity Shares was originated.

- It did not purchase the Equity Shares as a result of any directed selling efforts (as defined in Regulation S).

- It is buying the Equity Shares for investment purposes and not with a view to the distribution thereof. If in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, it agrees that it will not offer, sell, pledge or otherwise transfer the Equity Shares except in transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.

- It is not an affiliate (as defined in Rule 501(b) under the Securities Act) of the Company or a person acting on behalf of an affiliate of our Company.

- It agrees not to issue, and to instruct its affiliates to not issue, "participatory notes", "overseas derivative instruments" or similar instruments relating to the Equity Shares or the economic interest therein to persons in the United States or U.S. persons unless prior to the issuance of such notes or instruments it or such affiliate has received a letter from such persons containing the representations, warranties, agreements and acknowledgments in "- Persons in the United States and U.S. Persons" above.

- Where it is subscribing to the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, warranties, agreements and acknowledgements herein.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it was authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the representations, warranties, agreements and acknowledgements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It agrees to indemnify and hold the Company and each of the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- It acknowledges that the Company and the Book Running Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements and acknowledgements and agrees that if any of such representations, warranties, agreements and acknowledgements is no longer accurate it will promptly notify the Company and the Book Running Lead Managers.

Any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognized by our Company.

In addition to the above representations, warranties, agreements and acknowledgements, each purchaser of the Equity Shares is deemed to have made the representations, warranties, agreements and acknowledgements set forth in "Representations by Investors".

## THE SECURITIES MARKET OF INDIA

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the Stock Exchanges, and has not been prepared or independently verified by us, the Book Running Lead Managers, or any of their respective affiliates or advisers.*

### The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. The Stock Exchanges together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

### Stock Exchange Regulation

Indian stock exchanges are regulated primarily by the SEBI, as well as by the Central Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "**SCRA**"), the Securities Contracts (Regulation) Rules, 1957 (the "**SCRR**"), the Securities and Exchange Board of India Act, 1992 (the "**SEBI Act**"), the Depositories Act, the Companies Act, and various other rules and regulations framed thereunder. On June 20, 2012, the SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the "**SCR (SECC) Rules**"), which regulate, *inter alia*, the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalization requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

The SEBI Act, under which the SEBI was established by the Central Government, granted powers to the SEBI to promote, develop and regulate the Indian securities markets, including stock exchanges and other financial intermediaries in the capital markets, to protect the interests of investors, to promote and monitor self-regulatory organizations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, Mutual Funds, FIIs, credit rating agencies and other capital market participants.

### Listing

The listing of securities on stock exchanges in India is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI and the Equity Listing Agreements. Under the SCRA and the SCRR, the governing body of each stock exchange is empowered to suspend or withdraw admission to trading of or dealing in a listed security for breach by a listed company of any of the conditions of admission to dealings or for any other reason, subject to such company receiving prior notice of such intent of the stock exchange and upon granting of a hearing in the matter. In the event that a suspension of a company's securities continues for a period in excess of 90 days, the company may appeal to the Securities Appellate Tribunal against the suspension. The SEBI has the power to vary or veto the decision of the stock exchange in this regard. The SEBI also has the power to amend the Equity Listing Agreement and the bye-laws of the stock exchanges.

### Disclosures under the Companies Act, 2013 and Equity Listing Agreements

Public listed companies are required under the Companies Act, 2013 and the Equity Listing Agreement to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance under the Companies Act, 2013, related party transactions and management's discussion and analysis as required under the Equity Listing Agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its Equity Listing Agreement with the relevant stock exchange.

SEBI released an approach paper on May 5, 2014 for inviting comments from the public on or before May 30, 2014 on a draft form of an all encompassing umbrella listing regulations providing listing conditions and disclosure

requirements for various categories of listed securities under the name of Securities and Exchange Board of India (Listing and Obligations and Disclosure Requirements) Regulations, 2014. Subsequently, SEBI, in its board meeting held on November 19, 2014, approved the Securities and Exchange Board of India (Listing and Obligations and Disclosure Requirements) Regulations, 2014, which would be applicable for:

i) specified securities (includes equity and convertibles) - listed on main board and the SME platform;
ii) non-convertible debt securities;
iii) non-convertible redeemable preference shares;
iv) indian depository receipts;
v) securitised debt instruments; and
vi) units issued by mutual fund schemes.

However, as on date of this Placement Document, no notifications/circulars/notices have been issued by SEBI or any stock exchange in this regard.

**Delisting of Securities**

The SEBI has, pursuant to a notification dated June 10, 2009, notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, in relation to the voluntary and compulsory delisting of securities from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

**Minimum Level of Public Shareholding**

Pursuant to an amendment of the SCRR, all listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25%. We are in compliance with the minimum public shareholding requirement. Where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of twelve months from the date of such fall in the manner specified by the SEBI.

**Index-Based Market-Wide Circuit Breaker System**

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices.

**BSE**

Established in 1875, the BSE is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India.

**NSE**

The NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide, on-line, satellite-linked, screen-based trading facilities with electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994.

**Internet-Based Securities Trading and Services**

The SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which

route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and to comply with certain minimum conditions stipulated by the SEBI and other applicable laws. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the 'equities' as well as the 'derivatives' segments of the NSE.

**Trading Hours**

Trading on both the Stock Exchanges normally occurs Monday through Friday, between 9:15 a.m. and 3:30 p.m Indian Standard Time. The Stock Exchanges are closed on public holidays. Recently, the stock exchanges have been permitted to set their own trading hours (in cash and derivative segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

**Trading Procedure**

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothing settlement cycles and improving efficiency in back-office work. NSE also provides on-line trading facilities through a fully automated screen based trading system called 'National Exchange for Automated Trading' ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

**Takeover Code**

Disclosure and mandatory open offer obligations for listed Indian companies under Indian law are governed by the Takeover Code which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Code will apply to acquisitions of the company's shares/voting rights/control. The Takeover Code prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Code mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company.

If an acquirer (together with any persons acting in concert with him): (a) acquires 25% of the voting rights in a listed company; or (b) already holds 25% of the voting rights in a listed company, and acquires more than 5% of the voting rights in the listed company between April 1 and March 31 in any year; or (c) acquires control over a listed company, such acquirer will have to make an open offer to the public shareholders for at least 26% of the total shares of the listed company.

The Takeover Code also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition. Since, our Company is an Indian listed company, the provisions of the Takeover Code apply to our Company.

**Insider Trading Regulations**

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, (the "**Insider Trading Regulations**") have been notified by the SEBI to prohibit and penalize insider trading in India. An insider is, *inter alia*, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage of equity shares, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

To further strengthen the legal framework for prohibition of insider trading in securities, on January 15, 2015, SEBI notified the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, which shall come into into force on the one hundred and twentieth day from the date of its publication in the Official Gazette, i.e. January 15, 2015.

**Depositories**

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. Further, the SEBI framed regulations in relation to, *inter alia*, the formation and registration of such Depositories, the registration of Depository Participants as well as the rights and obligations of the Depository Participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

**Derivatives (Futures and Options)**

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term 'securities', as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange.

## DESCRIPTION OF THE EQUITY SHARES

Set forth below is a brief summary of some of the existing provisions of the Memorandum and Articles, the Companies Act and certain other related legislation relating to the rights attached to the Equity Shares.

### General

As on the date of this Placement Document, our Company's authorised share capital is ₹ 1,130,000,000 divided into 103,000,000 Equity Shares of ₹ 10 each and 10,000,000 Compulsorily Convertible Preference Shares of ₹ 10 each. As on the date of this Placement Document, our Company's issued, subscribed and paid-up capital is ₹ 832,899,690 divided into 83,289,969 Equity Shares of ₹ 10 each. The Equity Shares are listed on the Stock Exchanges.

The security identification codes for the Equity Shares are as follows:

| | |
|---|---|
| **ISIN** | INE688I01017 |
| **BSE Code** | 532938 |
| **NSE Symbol** | CAPF |

### Articles of Association

Our Company is governed by the Articles. The last amendment to the Articles was carried out on June 18, 2014.

### Dividends

The Articles provide that dividend may be paid upon a recommendation of the Board and approval by a majority of the Shareholders, who shall not increase the amount of the dividend recommended by the Board. However, the Board is not under an obligation to recommend a dividend. According to the Articles, the dividend shall be paid in proportion to the amount paid up or credited as paid up on each share where a larger amount is paid up or credited as paid up on some shares than on others, but where capital is paid up in advance of calls carrying interest, such capital whilst carrying interest shall not confer a right to participate in profits or dividend. No dividend shall be payable except in cash out of the profits of our Company of the year or any other undistributed profits and no dividend shall carry any interest against our Company. The Directors may declare interim dividend as justified by the position of our Company. Where any instrument of transfer of shares has been delivered to our Company but the registration to that effect has not been done by our Company, the dividend in relation to such shares shall be transferred to a special account, unless the registered holder of such shares has authorised our Company in writing to pay such dividend to the transferee in such an instrument of transfer. Further, in relation to such shares, our Company shall keep in abeyance any offer of rights shares and any issue of fully paid up bonus shares. No Shareholder shall be entitled to receive payment of any interest or dividend while any money may be due or owing from him to our Company in respect of any shares held by him and the Directors may deduct all the money so due from him from the dividends or interest payable to him. Unless otherwise directed, any dividend may be paid by cheque or by warrant or by a payslip or receipt having force of cheque or warrant sent through post to the registered address of the Shareholder and in the case of joint holders to any one of them first named in the register of Shareholders; and our Company shall not be liable for cheque or warrant or dividend lost in transmission or lost due to forged endorsement or fraudulent recovery. Subject to applicable provisions of the FEMA, all dividends and other distributions declared and payable on the Equity Shares may be paid by our Company to the Shareholder in Rupees and may be converted into foreign currency and freely transferred out of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

### Capitalization of Profits

The Articles provide that any general meeting may resolve that any moneys, investments or other assets forming a part of our Company's undivided profit for the time being, standing to the credit of the reserve fund or any capital redemption reserve account, or in the hands of our Company and available for distribution as dividend or any amount standing to the credit of the share premium account be capitalised. The capitalization may be done among Shareholders in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such Shareholders in paying up in full either at par or at premium, any unissued

shares or debentures of our Company which shall be distributed or directed towards payment of the uncalled liability on any issued shares or debentures, and that such distribution or payment shall be accepted by such Shareholders in full satisfaction of their interest.

**Pre-Emptive Rights and Alteration of Share Capital**

The Articles provide that where it is proposed to increase the subscribed capital of our Company by allotment of further shares, such shares shall be offered to the persons who, at the date of the offer, hold shares of our Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date, and such offer shall be made by a notice specifying the number of shares offered and limited to a time period, not being less than 15 days from the date of the offer which shall be deemed to include the right exercisable by the person concerned to renounce the shares offered to him in favour of any other person. If the offer is not accepted it is deemed to have been declined. The Board is authorised to distribute any new shares not subscribed for by the pre-emptive rights holders in the manner that it deems most beneficial to our Company.

The Articles provide that our Company may from time to time by a special resolution, reduce its capital in any manner for the time being authorised by law, and in particular capital may be paid off on the footing that it may be called up again or otherwise. Except as so far otherwise provided by the conditions of the issue or by the Articles, any capital raised by the creation of new shares shall be considered as a part of the existing capital. Our Company has the power to modify rights and privileges attached to a class of shares with the consent of the holders of three-fourths of that class in writing or with the sanction of a special resolution passed at a separate meeting of the shareholders of that class.

The Articles provide that our Company may from time to time, in a general meeting:

- sub-divide or consolidate all of our shares or any of them and the resolution whereby any share is subdivided, may determine that, as between the holders of the shares resulting from such sub- division, one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others; and

- cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of shares so cancelled.

**General Meetings of Shareholders**

Our Company is required to hold an annual general meeting ("AGM") every fifteen months in addition to any other general meetings. Not less than 21 days' notice in writing of a general meeting is to be given, but shorter notice may be given if consent in writing is accorded by all the members entitled to vote and in case of any other meetings, with the consent of members holding not less than 95 per cent of such part of the paid-up share capital of our Company which gives a right to vote at the meeting. No meeting shall be competent to enter upon, discuss or transact any business which has not been specifically mentioned in the notice or notices upon which it was convened. Every Shareholder is entitled to attend a meeting and vote either in person or by proxy. All businesses to be transacted at an AGM shall be deemed special except the consideration of accounts, balance sheet and reports of the Board and Auditors, declaration of dividend, appointment of Directors in place of those retiring, the appointment of and fixation of remuneration of the Auditors. In case of an extraordinary general meeting ("EGM") all business is deemed special. A statement setting out all material facts, including the nature of concern or interest, financial or otherwise in respect of every Director and manager; every other key managerial personnel and relatives of such persons, in respect of special business to be transacted at the meeting, shall be annexed to the notice. The Board may also call an EGM whenever it thinks fit and it shall do so upon a requisition in writing by any Shareholder(s) holding in aggregate not less than one- tenth of the issued and paid-up capital upon which all calls or other sums then due have been paid.

The Articles provide that any accidental omission to give notice or any non-receipt of notice shall not invalidate the proceedings at a meeting. Where any resolution requires special notice, notice of the intention to move the resolution should be given to our Company by such number of members not less than one percent of total voting power that has been paid-up and our Company shall immediately on receipt of the notice of intention give its members notice of the resolution in the same manner as it gives notice of the meeting. The quorum requirements for a general meeting are as prescribed under Section 103 of the Companies Act, 2013. If the quorum is not present within half an hour of the time appointed for a meeting, the meeting, if convened upon such requisition as aforesaid, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Board may determine and if at such adjourned meeting, a quorum is not present at the

expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called.

The Articles further provide that no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. The meetings should be convened in the presence of a Chairman. A resolution put to vote shall be decided on a show of hands, unless a poll is ordered to be taken by the Chairman. At every AGM of our Company there shall be laid before the meeting, the Directors' report and audited statement of accounts, Auditor's report, proxies and the register of Directors' and key managerial personnel's' shareholding and a register of contracts or arrangements in which the Directors and key managerial personnel is interested as required under Section 170 of the Companies Act, 2013. Minutes of the AGM are to be maintained and shall be evidence of the proceedings recorded therein.

**Voting Rights**

Every Shareholder present in person shall have one vote on a show of hands, and on poll, the Shareholder present in person or by proxy shall have voting rights in proportion to his share of the paid-up capital of our Company held by him, subject to any rights or restrictions for the time being attached to any class or classes of shares. If any Shareholder be of unsound mind, he may vote, in respect of his shares whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or other legal guardian may, on a poll, vote by proxy. If any Shareholder is a minor, the vote in respect of his shares shall be by his guardian, or any one of his guardians, if more than one, to be elected in case of dispute by the chairman of the meeting.

The instrument appointing a proxy and the power of attorney (or other authority, if any) under which it is signed is required to be lodged at the registered office at least 48 hours before the time of the meeting. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death of the principal or revocation of the proxy, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer of the share shall have been received by our Company at the registered office before the meeting. Further, no Shareholder shall be entitled to exercise any voting right personally or by proxy at any meeting of our Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid. No objection to the validity of a vote shall be made except during the meeting or poll and every vote not disallowed shall be deemed valid for all purposes of such meeting or poll. The Chairman of the meeting shall be the judge of the validity of the vote.

**Register of Shareholders**

Our Company is required to maintain a register of members wherein the particulars of the Shareholders are entered. For the purpose of determining the Shareholders, the register may be closed for such period not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient.

**Directors**

The Articles provide that the number of Directors shall not be less than three and not be more than twelve. The Directors shall be appointed by our Company in the general meeting subject to the provisions of the Companies Act and the Articles. Two-thirds of the total number of Directors is subject to retirement by rotation. Of such Directors, one-third, or if their number is not three or multiples of three, then the number nearest to one-third, must retire every year. The Directors to retire are those who have been the longest in office.

As provided under Section 161 of the Companies Act, 2013, the Director may be appointed by the Board or by the general meeting of the Shareholders. The Directors have the power to appoint any other persons as an additional Director but any Director so appointed shall hold office only up to the date of the next following AGM of our Company but the total number of Directors shall not at any time exceed the maximum strength. The Board shall also have the power to appoint any person to act as an alternate Director for a Director during the latter's absence for a period of not less than three months from India. The alternate Director shall vacate the office if and when the original Director returns to India and in case the office of the original Director is determined before he returns, the provisions of the Companies Act, 2013, and the Articles for automatic reappointment shall apply to the original Director and not the alternate Director.

Our Company must have at least one Director who has stayed in India for at least 182 days in the previous calendar year (i.e. is an Indian resident). Our Company is required to have at least one-half of its Directors as independent Directors.

The quorum for meetings of the Board is one-third of the total number of Directors (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher. The participation of the Directors by video conferencing or by other visual means will be counted towards quorum. However, where the number of interested Directors is equal to or exceeds two-thirds of total strength, the remaining number of Directors (i.e. Directors who are not interested) present at the meeting, being not less than two shall be the quorum during such time. In case there is no quorum for a Board meeting, the remaining Directors may act only for the purpose of increasing the number of Directors to meet the quorum requirements or to summon a general meeting.

**Annual Report and Financial Results**

The annual report is required to be laid before the Shareholders at the AGM. This includes financial information such as the audited financial statements as of the date of closing of the financial year, Directors' report, management's discussion and analysis and a corporate governance section, and is sent to the Shareholders in advance in compliance with applicable laws. Our Company is required to file the annual report with the RoC within 30 days from the date of the AGM. Our Company must also publish its financial results in at least one English daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where the registered office is situated. Our Company files certain information on-line, including the annual report, financial statements and the shareholding pattern statement, in accordance with the requirements of the Equity Listing Agreement and as may be specified by the SEBI from time to time.

**Transfer of Equity Shares**

The Equity Shares held through Depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the Depositories and the Depository participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of the Equity Shares held through a Depository are exempt from stamp duty. Our Company has entered into an agreement for such depository services with the National Securities Depository Limited and the Central Depository Services India Limited. The SEBI requires that the Equity Shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the Stock Exchange.

Pursuant to the Equity Listing Agreement, in the event our Company has not affected the transfer of Equity Shares within 15 days or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of 15 days, it is required to compensate the aggrieved party for the loss of opportunity caused during the period of the delay. The Equity Shares are freely transferable.

**Acquisition by our Company of its own Equity Shares**

A company is empowered to buy-back its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares or other specified securities (other than the kind of shares or securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorised by the articles of association of the company;
- a special resolution has been passed in a general meeting authorising the buy-back (in the case of listed companies, by means of a postal ballot) unless the buy-back is for 10% or less than 10% of the total paid-up equity capital and free reserves of the company and such buy-back has been authorized by the board of directors of the company by means of a resolution passed at its meeting;
- the proceeds utilised for the buy-back is limited to not more than 25% of the total paid-up capital and free reserves of the company;
- the buy-back of equity shares in any financial year is limited to not more than 25% of the total paid-up equity capital of the company in that financial year. No offer of buy-back shall be made within one year from the closure of the previous offer of buy-back;
- the secured and unsecured debt owed by the company is not more than twice the paid-up capital and free reserves after such buy-back;
- the shares or other specified securities for buy back are fully paid-up; and

- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998.

A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the date of closure of the preceding offer of buy-back or to issue the same kind of securities for six months subject to certain limited exceptions.

Other than as described above, a company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court in terms of the Companies Act. Subject to certain conditions, a public company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company or group of investment companies. Further, a company is prohibited from purchasing its own shares or specified securities, *inter alia*, if the company is in default with respect to the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank.

**Liquidation Rights**

In the event of our Company being wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution, divide amongst the contributories in specie, any part of the assets of our Company and may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit.

## TAXATION

### STATEMENT OF TAX BENEFITS

The Board of Directors
Capital First Limited
India Bulls Finance Centre, Tower II,
15th floor, Senapati Bapat Marg,
Elphinstone (W), Mumbai – 400 013

Dear Sirs,

**Statement of Possible Tax Benefits available to Capital First Limited and its shareholders**

We hereby report that the enclosed statement provides the possible tax benefits available to Capital First Limited ('the Company') and to the shareholders of the Company under the Income-tax Act, 1961 and Wealth-tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

i) the Company or its shareholders will continue to obtain these benefits in future; or
ii) the conditions prescribed for availing the benefits have been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

For S.R. BATLIBOI & CO. LLP
Firm's registration number: 301003E
Chartered Accountants

Per Shrawan Jalan
Partner
Membership No.: 102102
Mumbai
Date: March 13, 2015

**General Tax Benefits to the Company**

1. Dividends earned are exempt from tax in the hands of the recipient in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Income-tax Act, 1961 (herein after referred to as 'the Act'). However, as per section 94(7) of the Act, loss (if any) arising from sale/ transfer of shares, where shares in respect of which dividend is received are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of exempt dividend.

2. The depreciation rate in respect of Motor Cars is 15%, furniture & fitting is 10%, Intangible asset is 25%, Computer is 60%, Buildings (Residential) is 5% and Buildings (Others) is 10%.

3. The difference of the amount of tax paid under Section 115JB of the Act and the amount of tax payable by the company on its total income computed in accordance with the other provisions of the Act for any assessment year beginning on or after 1st April 2006 will be available as credit for ten years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Section 115JAA of the Act.

4. Income earned from investment in units of a specified Mutual Fund is exempt from tax under section 10(35) of the Act. However, as per section 94(7) of the Act, loss (if any) arising from the sale/ redemption of units, where units in respect of which dividend is received are purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of exempt dividend.

5. Further, as per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, and is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/ redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

6. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not a tax-deductible expenditure. Further, the Central Board of Direct Taxes has notified a prescribed methodology for disallowance under Rule 8D of the Income-tax Rules, 1962. However, in absence of any expenditure incurred to earn exempt income, the company can *suo-moto* disallow an ad-hoc amount for the purpose of computing its gross total income.

7. Under section 36(1)(vii) of the Act, any bad debt or part thereof written off as irrecoverable in the accounts is allowable as a deduction from the total income.

8. Where the company is involved in systematic buying and selling of shares, the gains arising from sale of these shares are likely to be considered as business income and chargeable to tax at the rate of 30 percent (plus applicable surcharge and education cess).

9. Where shares are held by the company as a 'capital asset', gains arising from transfer of such shares shall be taxed under the head 'capital gains'.

10. The capital gain arising on transfer of a long-term capital asset being listed equity shares (i.e. where the equity shares are held for more than 12 months), will not be included in the total income as per the provisions of section 10(38) of the Act, if the transaction is subject to Securities Transaction Tax (STT).

11. The capital gains arising on transfer of a long-term capital asset being a listed equity shares other than the those mentioned in para 10 above i.e. where the transaction is not subject to STT, will be chargeable to tax. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

a) Cost of acquisition/ improvement of the shares as adjusted by the cost inflation index notified by the Central Government; and

b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

12. In accordance with section 112 of the Act, the tax on capital gains arising on transfer of a long-term capital asset being listed equity shares, where the transaction is not subject to STT will be the lower of:

(a) 20 per cent (plus applicable surcharge and education cess) of the capital gains as computed after indexation of the cost; or

(b) 10 per cent (plus applicable surcharge and education cess) of the capital gains as computed without indexation.

13. Under section 54EC of the Act, capital gains arising on transfer of long-term capital asset being listed equity shares [other than the one referred in para 10] will be exempt from tax to the extent the same is invested for a minimum period of three years in a 'long-term specified asset' within a period of six months from the date of such transfer. Such investment in 'long-term specified asset' during the financial year in which such equity shares are transferred and its subsequent financial year should not exceed INR 50 lakhs.

However, if the company transfers or converts the long-term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A 'long-term specified asset' means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

a) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or

b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

14. In accordance with section 111A of the Act, the capital gains arising from the transfer (on or after 1 October 2004) of a short-term capital asset being listed equity shares (i.e. where the equity shares are held for a period of less than 12 months) in a company, will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess), where such transaction is subject to STT. The capital gains arising on transfer of short-term capital asset being listed equity shares in a company other than those mentioned above will be chargeable to tax at the rate of 30% (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing tax on short-term capital gain.

15. As per section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-

term capital loss suffered during the year is allowed to be set-off only against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent year's long-term capital gains. In case of loss under the head "Profit and Gains from Business or Profession", it can be set-off against other income and the excess loss after set-off can be carried forward for set-off-against business income of the next eight Assessment Years.

16. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward indefinitely for set-off against the income of future years.

***Section 115-0 of the Act***

Tax rate on distributed profits of domestic companies (DDT) is 15%, the surcharge on Income tax is at 10% (The Finance Bill, 2015 propose to increase the rate of surcharge to 12%), and the education cess is at 3%.

For the purposes of determining the tax on distributed profits with effect from 1 October 2014, any amount by way of dividend referred to in this section shall be increased to such amount as would, after reduction of the tax on such increased amount at the rate mentioned above, be equal to the net distributed profits.

***Tax Rates***

The tax rate is 30%. The surcharge on Income-tax is 5% (the Finance Bill, 2015 propose to increase the rate of surcharge to 7%) where the total taxable income exceeds INR 10 million but does not exceed INR 100 million/ 10% (the Finance Bill, 2015 propose to increase the rate of surcharge to 12%) where total taxable income exceeds INR 100 million. Education cess is 3% on Income-tax and surcharge.

**General Tax Benefits to the Shareholders of the Company**

**(I) Under the Income-tax Act, 1961**

It has been presumed that the shares of the company will be held by the shareholders as a 'capital asset' and therefore gains arising from transfer of such shares shall be taxed under the head 'Capital gains'.

***A) Residents***

1. Dividends earned on shares of the company are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. Accordingly, dividends paid by the company are not subject to deduction of tax at source. As per section 115-O of the Act, DDT at the rate of 15% (plus applicable surcharge and education cess) is applicable on the total amount distributed or declared or paid as dividend.

2. As per section 94(7) of the Act, loss (if any) arising from sale/ transfer of shares, where shares in respect of which dividend is received, are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of exempt dividend.

3. The listed equity shares held as 'capital asset' for a period of more than twelve months preceding the date of transfer will be treated as a 'long-term capital asset'.

4. Long-term capital gains arising on transfer of listed equity shares will be exempt from tax in accordance with the provisions of section 10(38) of the Act, where the transfer is made on or after October 1, 2004 on a recognized stock exchange and the transaction is subject to STT.

5. Long-term capital gains arising on transfer of listed equity shares, where the transaction is not subject to STT, will be chargeable to tax. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains chargeable to tax, the following amounts would be deductible from the full value of consideration:

   (a) Cost of acquisition/ improvement of the shares as adjusted by the cost inflation index notified by the Central Government; and

   (b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

6. Under section 112 of the Act, such taxable long-term capital gains will be chargeable to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation, as provided in the second proviso to section 48 of the Act. However, the amount of such tax could be limited to 10% (plus applicable surcharge and education cess), without indexation, at the option of the shareholder.

7. Under section 54EC of the Act, long-term capital gain arising on the transfer of listed equity shares of the company [other than the sale referred to in section 10(38) of the Act] will be exempt from tax to the extent the same is invested for a minimum period of three years in a 'long-term specified asset' within a period of six months from the date of such transfer. Such investment in 'long-term specified asset' during the financial year in which such equity shares are transferred and its subsequent financial year should not exceed INR 50 lakhs.

   However, if the shareholder transfers or converts the 'long-term specified asset' into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the 'long-term specified asset' is transferred or converted into money.

   A 'long-term specified asset' means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

   a) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or

   b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

8. In accordance with section 54F of the Act, long-term capital gains arising on the transfer of listed equity shares held by an individual and on which STT is not payable, will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of one residential house in India within three years. Such benefit will not be available if the individual-

   a) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

   b) purchases another residential house within a period of one year after the date of transfer of the shares; or

   c) constructs another residential house within a period of three years after the date of transfer of the shares; and

d) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head 'Income from house property'

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head 'capital gains' of the year in which the residential house is transferred.

9. Short-term capital gains on the transfer of listed equity shares, where such shares are held for a period of not more than 12 months would be taxed at 15% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is subject to STT. In case of transfer of listed equity shares, where such shares are held for a period of not more than 12 months and the transaction is not subject to STT, the short-term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess) applicable to the resident investor. Cost indexation benefits would not be available in computing tax on short-term capital gain.

10. As per the provision of Section 71(3) of the Act, if there is a loss under the head 'Capital Gains', it cannot be set-off with the income under any other head. Section 74 of the Act provides that the short-term capital loss can be set-off against both short-term and long-term capital gain. But long-term capital loss cannot be set-off against short-term capital gain. The unabsorbed short-term capital loss can be carried forward for next eight assessment years and can be set off against any capital gains in subsequent years. The unabsorbed long-term capital loss can be carried forward for next eight assessment years and can be set off only against long-term capital gains in subsequent years

***B) Non-Residents including Non Resident Indians (NRIs) and Foreign Portfolio Investors (FPIs):***

**Non-residents**

1. As per section 115-O of the Act, a DDT at the rate of 15% (plus applicable surcharge and education cess) is applicable on the total amount distributed or declared or paid as dividend. Further, dividends earned on shares of the company are exempt in accordance with and subject to the provisions of section 10(34) read with Section115-O of the Act. Accordingly, dividends paid by the company are not subject to deduction of tax at source.

2. As per section 94(7) of the Act, loss (if any) arising from sale/ transfer of shares, where shares in respect of which dividend is received are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

3. Listed equity shares of the company held by the shareholders as 'capital asset', gains arising from transfer of such shares shall be taxed under the head 'capital gains'.

4. The listed equity shares held as 'capital asset' for a period of more than twelve months preceding the date of transfer will be treated as a 'long-term capital asset'.

5. Long-term capital gain arising on transfer of listed equity shares will be exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on or after 1 October 2004 on a recognized stock exchange and the transaction is subject to STT.

6. Long-term capital gains arising on transfer of listed equity shares, where the transaction is not subject to STT, will be chargeable to tax. In accordance with section 48 of the Act, capital gains arising on transfer of such listed equity shares shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter in, and sale of, shares and debentures of, an Indian company including the Company**.** Indexation will not be available in this case.

7. Under section 112 of the Act, such long-term capital gains, where the transaction is not subject to STT, will be chargeable to tax at a rate of 20% (plus applicable surcharge and cess).

8. Under section 54EC of the Act, long-term capital gain arising on the transfer of listed equity shares of the company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is invested for a minimum period of three years in a 'long-term specified asset' within a period of six months from the date of such transfer. Such investment in 'long-term specified asset' during the financial year in which such equity shares are transferred and its subsequent financial year should not exceed INR 50 lakhs.

   However, if the shareholder transfers or converts the long-term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

   A 'long-term specified asset' means any bond, redeemable after three years and issued on or after the 1st day of April 2007 by the:

   a) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or

   b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

9. In accordance with section 54F of the Act, long-term capital gains arising on the transfer of the listed equity shares held by an individual and on which STT is not payable, will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of one residential house in India within three years. Such benefit will not be available if the individual-

   a) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

   b) purchases another residential house within a period of one year after the date of transfer of the shares; or

   c) constructs another residential house within a period of three years after the date of transfer of the shares; and

   d) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head 'Income from house property'

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head 'capital gains' of the year in which the residential house is transferred.

10. In accordance with section 111A of the Act, the capital gains arising from the transfer of a short-term capital asset being listed equity shares, will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess), where such transaction is subject to STT. If the provisions of Section 111A of the Act are not applicable i.e. where listed equity shares are transferred and such transaction is not subject to STT, then the tax will be chargeable on the short-term capital gains at the normal rates plus surcharge and education cess as applicable.

**NRIs**

A NRI has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, 1961 which reads as under:

11. In accordance with section 115E of the Act, income from investment or income from long-term capital gains on transfer of assets other than specified asset (as defined in Section 115C(f) of the Act) shall be taxable at the rate of 20% (plus applicable surcharge and education cess). Income by way of long-term capital gains in respect of a specified asset shall be chargeable at 10% (plus applicable surcharge and education cess).

12. In accordance with section 115F of the Act, subject to the conditions and to the extent specified therein, long-term capital gains arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which STT is not payable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified new asset. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax as long-term capital gains in the year subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

For the purpose of aforesaid clauses 'Non-Resident Indian' means an Individual, being a citizen of India or a person of Indian origin who is not a 'resident'. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

**FPIs[1]**

13. In accordance with section 115AD of the Act, FPIs will be taxed at 10% (plus applicable surcharge and education cess) on long-term capital gains (computed without indexation of cost and foreign exchange fluctuation), if STT is not payable on the transfer of the listed equity shares and at 15% (plus applicable surcharge and education cess) in accordance with section 111A of the Act on short-term capital gains arising on the transfer of listed equity shares of the company which is subject to STT. If the provisions of section 111A of the Act are not applicable i.e. where listed equity shares are transferred and such transaction is not subject to STT, then the tax will be chargeable on the short-term capital gains at the rate of 30% plus applicable surcharge and education cess.

[1] The Finance Bill, 2015 proposes that income from capital gains arising on transactions in securities (other than short-term capital gains arising on transactions on which securities transaction tax is not chargeable), accruing or arising to an assessee being a FII/ FPI shall not be considered for the purpose of computation of book profits while determining a liability to pay minimum alternate tax for such FII/ FPI.

Accordingly, any expenditure incurred for earning such income shall not be considered for the purpose of computation of book profits.

14. Under section 196D (2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD of the Act.

15. As per the provisions of section 90 of the Act, the Non Resident shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement with the relevant country for avoidance of double taxation of income.

***C) Mutual Funds***

Under section 10(23D) of the Act, exemption is available in respect of income (including capital gains arising on transfer of shares of the Company) of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other Mutual fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

***D)* Venture Capital Companies/Funds[2]**

1. In terms of section 10(23FB) of the Act, any income of venture capital company or venture capital fund from investment in a venture capital undertaking is exempt from tax.

'Venture capital company' means a company which has been granted a certificate of registration as a Venture Capital Fund and is regulated under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 or has been granted a certificate of registration as Venture Capital Fund as a sub-category of Category I Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 made under the Securities and Exchange Board of India Act, 1992.

Venture Capital Fund means a fund:

A) operating under a trust deed registered under the provisions of Registration Act, 1908 which:

1) has been granted a certificate of registration as a Venture Capital Fund and is regulated under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992; or

2) has been granted a certificate of registration as Venture Capital Fund as a sub-category of Category I Alternative Investment Fund under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and which fulfils the following conditions:

a) it has invested not less than 2/3rd of its investible funds in unlisted equity shares or equity linked instruments of venture capital undertaking;

[2] The tax implications discussed herein shall apply only to the Venture Capital Funds/ Venture Capital Company which had been registered under the SEBI (Venture Capital Funds) Regulations, 1996. The same shall also apply to the Venture Capital Funds that are registered as Category I Alternative Investment Funds (AIFs) only till AY 2015-16.

With effect from AY 2016-17, the Category I AIFs and Category II AIFs will be subject to the new pass through regime proposed by the Finance Bill, 2015.

The Finance Bill, 2015 proposes that income (other than income chargeable under the head 'Profits and gains of business or profession') earned by a Category I AIF and Category II AIFs, shall be exempt from tax in the hands of such AIFs. However, income chargeable under the head 'Profits and gains of business or profession' shall be subject to tax in the hands of the Category I AIFs and Category II AIFs, at the rate or rates specified in the Finance Act of the relevant year, where such Category I AIFs and Category II AIFs is a company or a firm or at the maximum marginal rate in any other case.

Tax implications in the hands of the Category III AIFs shall continue to be governed by the normal provisions of the Act.

b) it has not invested in any venture capital undertaking in which its trustee or the settlor holds , either individually or collectively, equity shares in excess of 15% of the paid up equity share capital of venture capital undertaking; and

c) units, if any, issued by it are not listed in recognised stock exchange

B) operating as a venture capital scheme made by the Unit Trust of India established under the Unit Trust of India Act, 1963

'Venture capital undertaking' means a venture capital undertaking as defined in clause (n) of the regulation 2 of the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 or venture capital undertaking as defined in clause (aa) of the sub-regulation (1) of regulations 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

2. As per the provisions of section 115U of the Act, income received by the investor out of investments in the venture capital fund shall be chargeable to the income-tax in the same manner as if such person had directly made the investments in the specified venture capital undertaking.

***E)*** **Tax Deduction at Source:**

1. No income-tax is deductible from income by way of capital gains under the present provisions of the Act, in case of residents. However as per the provisions of section 195 of the Act, any income by way of capital gains, payable to non-residents (except long-term capital gains exempt under section 10(38) of the Act), may fall within the ambit of with-holding tax provisions, subject to the provisions of the relevant tax treaty. Accordingly, income-tax may have to be deducted at source in the case of non-resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities.

2. Under Section 196D of the Act, no deduction of tax at source shall be made in respect of capital gains arising on sale proceeds to FPIs on transfer of shares (including shares of the company).

**(II) Under the Wealth-tax Act, 1957[3]**

"Asset" as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares held in a Company and hence, these are not liable to wealth tax.

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of listed equity shares.

2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.

3. It would be relevant to note that the Direct Taxes Code (DTC) could replace the present Act and is presently in the draft state. We have not commented on the tax implications arising under the proposed DTC.

4. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2015-16. Several of these benefits are dependent on the Company or its shareholder fulfilling the conditions prescribed under the relevant tax laws.

[3] The Finance Bill, 2015 proposes to abolish the levy of wealth tax under the Wealth-tax Act, 1957 with effect from assessment year 2016-17

5. The statement also highlights the relevant amendments proposed by the Finance Bill, 2015. However, the Finance Bill, 2015 has not received the president's assent.

6. This statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

7. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.

8. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of certain material United States federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Equity Shares by particular investors, and does not address state, local, foreign or other tax laws. This discussion is based on the tax laws of the United States as in effect on the date of this Placement Document and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Placement Document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding an Equity Share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the Company's voting stock;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding Equity Shares through partnerships or other pass-through entities.

**PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.**

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organised under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership, or other entity taxable as a partnership for United States federal income tax purposes, that holds Equity Shares, your tax treatment generally will depend on your status and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Equity Shares by the partnership.

### *The Company's Status as a Passive Foreign Investment Company (a "PFIC")*

The Company expects that it will be treated as a PFIC in the current taxable year and subsequent taxable years. As a consequence, U.S. Holders will be subject to the complex PFIC rules, which could result in additional U.S. taxes and

interest charges upon a sale or disposition of their Equity Shares or upon certain distributions by the Company as discussed below.

***Taxation of Distributions on the Equity Shares***

Subject to the PFIC Rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of the Company's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds the Company's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, the Company does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) the Company is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) the Company is eligible for the benefits of the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**U.S. - India Treaty**"). The Company expects to be eligible for the benefits of the U.S.-India Treaty. As described below, the Company believes that it is likely to be treated as a PFIC for the current taxable year and in subsequent taxable years. As such, you would not be able to benefit from any preferential tax rate with respect to any dividend distribution that you may receive from the Company. U.S. Holders should consult their own tax advisors regarding their eligibility for the reduced tax rate described above.

The amount of any distribution paid by the Company in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date or receipt, a U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realised on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends distributed with respect to Equity Shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income". A U.S. Holder will not be able to claim a U.S. foreign tax credit for Indian taxes for which the Company is liable and must pay with respect to distributions on Equity Shares. The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

***Taxation of a Disposition of Equity Shares***

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss on any sale or other taxable disposition of an Equity Share equal to the difference between the U.S. dollar value of the amount realised for the Equity Share and your tax basis (in U.S. dollars) in the Equity Share. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Share for more than one year, capital gain on a disposition of the Equity Share generally will be eligible for reduced federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognise generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

As described below, the Company believes that it is likely to be treated as a PFIC for the current taxable year and in subsequent taxable years. As such, you would not be able to benefit from any preferential tax rate with respect to any

capital gains on the sale of Equity Shares. U.S. Holders should consult their own tax advisor regarding their eligibility for the reduced tax rate described above. Your ability to deduct capital losses is subject to limitations.

Under the U.S. - India income tax treaty, India may generally tax capital gains in accordance with the provisions of its domestic law. U.S. Holders should consult their Indian tax advisors concerning the Indian tax consequences of capital gains arising from the sale or other disposition of their Equity Shares. If Indian tax is imposed on a U.S. Holder's capital gain on the sale or other disposition of Equity Shares, a foreign tax credit may be available for U.S. federal income tax purposes with respect to such Indian tax. U.S. Holders should consult their U.S. tax advisors concerning the U.S. tax treatment of any such Indian tax.

A U.S. Holder that receives foreign currency from the sale or disposition of Equity Shares generally will realise an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realised on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

***Passive Foreign Investment Company***

In general, a non-U.S. corporation is considered to be a passive foreign investment company, or a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for these purposes generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the current and expected composition of the Company's income and assets, the Company expects that 75% or more of its gross income will constitute "passive income" and 50% or more of its gross assets will constitute "passive assets" for purposes of the PFIC rules. Since the Company does not believe that it can benefit from the exemption from the PFIC rules that applies to foreign banks, the Company expects that it will be treated as a PFIC in the current taxable year and subsequent taxable years. Accordingly, a U.S. Holder will be subject to either the regular PFIC rules (the "**Regular PFIC Rules**") or, if a "mark-to-market" election is available and made, the special mark-to-market PFIC rules (the "**Mark-To-Market Rules**"), both of which are described below. U.S. Holders cannot make a "qualified electing fund" election (which is a special election applicable to certain PFICs) because the Company does not intend to provide the information required under the qualified electing fund rules.

***Regular PFIC Rules***

Under the Regular PFIC Rules, U.S. Holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code. Under those rules, (a) any gain realised on a sale or other disposition of the Equity Shares and any "excess distribution" (generally the excess amount of any distribution during a taxable year in which distributions to the U.S. Holder on the Equity Shares exceed 125% of the average annual distributions the U.S. Holder received on the Equity Shares during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Equity Shares) would be treated as realised ratably over the U.S. Holder's holding period for the Equity Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realised and to taxable years before the first day on which the Company became a PFIC would be treated as ordinary income (and not as capital gain), (c) the amount allocated to each prior year in which the Company was a PFIC would be subject to U.S. federal income tax at the highest rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which the Company was a PFIC. If, at any time, the Company had non -U.S. subsidiaries that were classified as

PFICs, the U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) the Company received a distribution from, or disposed of all or part of the Company's interest in, a lower-tier PFIC or (2) the U.S. Holder disposed of all or part of its Equity Shares.

***Mark-to-Market Rules***

Under the Mark-to-Market Rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the Regular PFIC Rules discussed above, although it is possible the mark-to-market election may not apply or be available with respect to the shares in the Company's subsidiaries to the extent they are PFICs that you may be deemed to own if the Company is treated as a PFIC, as discussed above. If you make a valid mark-to- market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark- to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the Equity Shares, as well as to any loss realised on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by the Company, except that the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. U.S. Holders of Equity Shares should consult their own tax advisors as to whether the Equity Shares would qualify for the mark-to-market election.

**PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE PFIC RULES TO THEIR INVESTMENT IN EQUITY SHARES, AND THE AVAILABILITY AND ADVISABILITY OF ANY ELECTIONS.**

***Medicare Contribution Tax***

A United States person that is an individual, estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) such person's "net investment income" for the relevant taxable year and (2) the excess of such person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individual will be between $125,000 and $250,000, depending on the individual's circumstances). A United States person's net investment income will generally include its dividend income and its net gains from the disposition of Equity Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

***Information Reporting and Backup Withholding***

Dividend payments with respect to Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W -9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which the Company is a PFIC may be required to file Internal Revenue Service Form 8621 regarding distributions received on the Equity Shares and any gain realised on the disposition of the Equity Shares. In addition, U.S. Holders may be required to file additional information with respect to their ownership of Equity Shares.

**Foreign Account Tax Compliance Act ("FATCA")**

U.S. return disclosure obligations (and related penalties) apply to U.S. Holders that hold certain specified foreign financial assets in excess of $50,000 for tax years beginning after March 18, 2010. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Equity Shares are held in an account at a U.S. domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the potential application of the FATCA rules to their Equity Shares.

## INDEPENDENT AUDITORS

Our Company's current Auditors are M/s. S.R. BATLIBOI & CO. LLP, Chartered Accountants, who have audited, the consolidated financial statements of our Company for the fiscal years 2014, 2013 and 2012 and the consolidated condensed interim financial statements of our Company for the quarter and nine months ended December 31, 2014 and December 31, 2013, included in this Placement Document, are independent auditors with respect to our Company in accordance with the guidelines issued by the ICAI. See "Financial Statements".

## LEGAL PROCEEDINGS

*Our Company and our Subsidiaries are, from time to time, involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, amongst others, tax, regulatory and other disputes. As on date of this Placement Document, except as disclosed hereunder, our Company and/or our Subsidiaries is not involved in any material governmental, legal or arbitration proceedings or litigation and our Company and/or our Subsidiaries is not aware of any pending or threatened material governmental, legal or arbitration proceedings or litigation relating to them which, in either case, to the extent quantifiable exceeds the amount of ₹ 110 million or may have a significant effect on the financial condition, the results of operations or cash flows of our Company and/or our Subsidiaries.*

***Litigations involving our Company***

**Litigations initiated against our Company**

**Civil proceedings**

1. Our Company has in its ordinary course of business provided certain loans to its customers. There are certain customers of our Company who have initiated certain proceedings before certain courts/consumer forums seeking *inter alia,* permanent injunction/fresh repayment terms/compensation/damages for deficiency in services rendered or challenging gold auctions by our Company. These proceedings are pending hearing and final disposal.

2. In June 2010, our Company had extended loan facilities to United Breweries Holdings Limited ("**UBHL**") and Kingfisher Finvest India Limited ("**KFIL**"), against pledge of equity shares of United Spirits Limited ("**USL**") held by UBHL and KFIL. Thereafter UBHL and KFIL defaulted in repayment of the aforesaid loans facilities.

   Certain other creditors other than our Company, of UBHL filed winding up petitions ("**Proceedings**") before the Karnataka High Court ("**KHC**") seeking winding up of UBHL. During the course of the Proceedings, UBHL filed company applications before a single judge of KHC seeking permission to sell its assets in order to repay some of its creditors. The single judge of KHC vide an order dated May 24, 2013 (the "**May Order**") *inter alia,* approved the sale of 13.61 million equity shares of USL held by UBHL to Diageo PLC and others at a price of ₹ 1,440/- per equity share, to make the payment of dues to the specified secured creditors of UBHL. Accordingly, in July 2013, 10.14 million equity shares of USL held by UBHL were sold to Diageo PLC and others. Out of the sale proceeds the balance dues of approximately ₹ 698.96 million were repaid to our Company by UBHL.

   Thereafter, State Bank of India and certain other banks ("**SBI Consortium**") which had separately provided loan facilities in favour of the UBHL group, filed company applications, before the KHC against the May Order for *inter alia*, setting aside the May Order and directing UBHL, to deposit the proceeds from the sale of the equity shares by UBHL, with the KHC. However, KHC did not pass any orders in this regard in favour of the SBI Consortium. Consequently, the SBI Consortium along with other petitioners filed appeals before the division bench of KHC against the May Order and also impleaded our Company in the said appeals. Consequently, the division bench of KHC passed an order on December 20, 2013 (the "**December Order**"), partly setting aside the May Order, thereby also setting aside the sale of equity shares by UBHL.

   Subsequently, aggrieved by the December Order, UBHL and Diageo PLC have filed special leave petitions before the Supreme Court of India, praying for *inter alia*, stay of the December Order. The SBI Consortium has also filed a special leave petition before the Supreme Court of India on March 23, 2014, praying for *inter alia*, to appeal against the December Order and an interim order to deposit with KHC all such money received by the secured creditors of UBHL pursuant to the May Order, pending an enquiry into the validity of their respective pledges. Our Company has been impleaded as a party in some of the aforementioned petitions filed by UBHL, Diageo PLC and SBI Consortium. The aforementioned petitions are pending hearing and final disposal. It is our understanding that there are several other special leave petitions filed by other parties other than our Company appealing against the December Order.

**Tax proceedings**

1. Our Company has received a show cause cum demand notice dated October 9, 2014 ("**SCN**") from the Commissioner of Service Tax, Mumbai, proposing to demand an amount of service tax of ₹ 111.55 million (the "**Proposed Demand Amount**") under the provision of Section 73 (1) of the Finance Act, 1994, along with interest and penalty. The Proposed Demand Amount comprises of: (i) ₹ 13.38 million for non-fulfillment of the conditions of Rule 3(2)(a) of the Export of Service Rules, 2005, for claiming the advisory services provided by our Company

to our overseas clients for the financial year 2010 as export of service, and (ii) ₹ 98.17 million for non-payment of service tax on subvention income received by our Company for promotion of the goods of the manufacturers with respect to the financial years 2011 to 2014. Our Company has replied to the SCN vide letter dated December 23, 2014, clarifying that the advisory services provided by our Company during the period from April 1, 2009 to December 31, 2009, would qualify as export of service under the Export of Service Rules, 2005. The aforesaid subvention income received by our Company is in the nature of interest and not a promotional fee from the manufacturers. Our Company vide the aforesaid letter prayed that the proceedings initiated vide the SCN be dropped in its entirety and that an opportunity of personal hearing be granted to our Company. The matter is currently pending hearing and final disposal.

**Litigations initiated by our Company**

**Criminal proceedings**

1. Our Company, has filed a first information report dated July 31, 2012 bearing number 151/2012 (the "**FIR**"), before the Central Crime Station, Hyderabad (the "**CCS**") against five ex-employees of our Company and others (collectively the "**Accused**") under sections 120B (criminal conspiracy), 406 (criminal breach of trust), 409 (criminal breach of trust by a public servant, banker, merchant or agent), 419 (cheating by impersonation), 420 (cheating and dishonesty inducing delivery of property), 467 (forgery of valuable security, will, etc.), 468 (forgery for purposes of cheating) read with section 34 (act done by several persons for furtherance of common intention) of the Indian Penal Code. The Accused have allegedly committed the aforesaid crimes by unlawfully misappropriating / dealing with (including by way of theft) certain gold items pledged in favour of our Company as security for the gold loans disbursed by our Company from the Hyderabad branch of the Company located at Malakpet. As stated in the FIR, the gold in concern weighed (approximately) 17.19 kilograms. Further, as stated in the charge sheet filed by the Assistant Commissioner of Police, East Zone, Hyderabad before the Court of XII Additional Chief Metropolitan Magistrate at Nampally, Hyderabad, (the "**ACMM**") the police as part of their investigation have seized 14.21 kilograms of gold ornaments. Subsequently, on October 8, 2012, our Company filed a criminal miscellaneous petition before the ACMM (the "**CMP**") against, *inter alia*, the State of Andhra Pradesh through the PS CCS, Hyderabad (the "**Respondents**") praying that the CCS, DD Team-V, Hyderabad, be directed to deposit the aforesaid seized gold , before the ACMM and upon such deposit the same be delivered to our Company, on the grounds that the seized gold belongs to our Company and if such seized gold is not returned, our Company will suffer irreparable loss and injury.

   Further, our Company vide its letter dated December 24, 2012, to the Commissioner of Police, CCS, has prayed for the inclusion of twenty individuals as accused in the FIR ("**Additional Accused**"), who allegedly have colluded with the Accused in connection with the above described criminal activities with respect to gold weighing (approximately) 6.9 kilograms and the same had been pledged in the name of the Additional Accused in favour of our Company against the gold loans disbursed by our Company.

   Pending hearing of the CMP, certain Respondents to the CMP and other parties who were not respondents in the CMP such as Fedbank Financial Services Limited and Muthoottu Mini Financiers Private Limited, amongst others (collectively as "**Non-Respondents**") have filed counter applications to the CMP. In the counter applications the respondents and Non-Respondents have claimed ownership over certain portions of the seized gold and sought the direction of the ACMM to be granted for the release of their respective portions out of the seized gold. The ACCM vide its common order dated April 17, 2013 ("**Common Order**") has dismissed the CMP and the counter applications on the ground that custody of the seized gold cannot be granted to any party till ownership of the seized gold is decided. Thereafter, on August 23, 2013, our Company filed a criminal revision petition ("**Revision Petition**") before the Court of VII Additional Chief Metropolitan Sessions Judge, Hyderabad, (the "**ACMSJ**") against the Respondents for setting aside the aforesaid Common Order. Subsequently, on January 28, 2015, the ACMSJ dismissed the Revision Petition and confirmed the Common Order. Our Company is in the process of filing a criminal petition before the Madras High Court for challenging the Common Order.

   Further, on August 8, 2014, three individuals, filed separate petitions before the ACMM praying for releasing their respective gold property (ies) from police custody, aggregating to a weight of (approximately) 2.5 kilograms, wherein our has Company filed counter applications in each of them and which was subsequently, challenged by one of the aforesaid petitioners. Each of these petitions are pending hearing and final disposal.

   Our Company has also filed an insurance claim in connection with the aforesaid theft of gold as well as a civil case against some of the Accused and Additional Accused.

**Civil proceedings**

1. In furtherance of the aforementioned FIR, our Company has filed a civil suit before the Chief Judge, City Civil Court, Hyderabad (the "**Suit**"), against five ex-employees of our Company and others (the "**Defendants**"), alleging that they have committed fraud, forgery and misappropriation of gold/ornaments pledged with our Company weighing (approximately) 25.65 kilograms valued at (approximately) ₹ 75.25 million at the Hyderabad branch of our Company at Malakpet. Our Company in the Suit has prayed for: a) recovery of an amount of ₹ 77.26 million along with interest at the rate of 15.00% per annum from the date of filing of the Suit till realization of the entire suit amount from the Defendants; and b) award damages amounting to ₹ 3.50 million towards the loss sustained by our Company. The matter is currently pending hearing and final disposal.

**Arbitration proceedings**

Our Company has initiated various arbitration proceedings against our customers in connection with loan defaults. Our Company's claim in these arbitration proceedings is to recover the outstanding amount. These proceedings are pending hearing and final disposal before various arbitrators.

***Litigations involving our Subsidiaries***

**<u>Litigations initiated against CFCL</u>**

**Civil Proceedings**

1. Modern India Limited and others (the "**Plaintiffs**") have filed a civil suit before the Bombay High Court on January 7, 2014, against Financial Technologies (India) Limited, the National Spot Exchange Limited ("**NSEL**") and others including CFCL (the "**Suit**") alleging inter alia that NSEL acting through its directors and senior officers had participated in acts of commission, deliberate omission or negligence and perpetrated a fraud by willfully and deliberately listing commodities for trade on its exchange platform without ensuring adequate security or collateral for such trades being executed resulting in a loss in excess of ₹ 300 million to the Plaintiffs. The Plaintiffs vide the Suit have prayed for various reliefs seeking inter alia a payment to be made to the Plaintiffs and other investors of an aggregate sum of ₹ 50,872.26 million along with interest at the rate of 16% p.a. in proportion to the losses suffered by each Plaintiff, by certain defendants to the Suit except for CFCL and certain other defendants ("**CFCL & Others**").

   Further, the Plaintiffs vide the Suit have claimed that CFCL & Others, are all trading and/or trading cum clearing members of the NSEL, who act as brokers for the purposes of facilitating transactions entered into on the NSEL, as a result of which, the Plaintiffs have entered into transactions on the NSEL through CFCL & Others.

   Subsequently, CFCL filed a written statement in the Suit on March 9, 2015, denying being a party to the Suit and having any role to play in the fraud alleged in the Suit. In the aforesaid written statement, CFCL prayed for dismissal of the Suit as against itself, on the grounds that the Plaintiffs have no cause of action against CFCL and that no claims have been made by the Plaintiff against CFCL. The matter is currently pending hearing and final disposal.

***General Corporate and Miscellaneous Matters***

**Inquiries, inspections or investigations under Companies Act, 2013 or any previous company law**

There are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of this Placement Document with respect to our Company and our Subsidiaries. Further, there are no prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of circulation of this Placement Document with respect to our Company and our Subsidiaries, except as stated below:

1. The Regional Director, Western Region, Ministry of Corporate Affairs, Mumbai, vide an order dated June 12, 2012, directed the payment of fees amounting to ₹ 5,000 by CFSL and ₹ 5,000 by each of its then directors, in relation to the voluntary compounding application dated March 16, 2012, filed by CFSL for the offence of entering into certain transactions in which the then directors of CFSL were interested, without obtaining a prior approval of the Central Government under Section 297 of the Companies Act, 1956. The said fees have been duly paid by CFSL and by the then directors of CFSL.

2. The Regional Director, Western Region, Ministry of Corporate Affairs, Mumbai, vide an order dated June 12, 2012, directed the payment of fees amounting to ₹ 5,000 by CFCL and ₹ 5,000 by each of its then directors, in relation to the voluntary compounding application dated March 16, 2012, filed by CFCL for the offence of entering into certain transactions in which the then directors of CFCL were interested, without obtaining a prior approval of the Central Government under Section 297 of the Companies Act, 1956. The said fees have been duly paid by CFCL and by the then directors of CFCL.

3. Vide a petition No. 3 (ND) of 2014 dated September 5, 2014 (the "**Petition**"), the Serious Fraud Investigation Office, New Delhi (the "**SFIO**") has initiated legal action against Deccan Chronicle Holdings Limited ("**DCHL**"), and others, where we have been arrayed as one of the Respondent to the Petition filed before the Company Law Board, Principal Branch, Delhi (the "**CLB**") seeking attachment of all assets of certain respondents including our Company to restore funds allegedly diverted for personal enrichment by the such respondents from DCHL. In relation to Future Capital Holdings Limited, now Capital First Limited, the Petition of SFIO has alleged that in conspiracy with DCHL, a loan was extended to a related party of DCHL, i.e. Aviotech Private Limited ("**APL**"), against a corporate guarantee (issued by DCHL aggregating to an amount of ₹ 500 million) that was not in force. The SFIO has sought interim relief of inter alia, directing certain respondents including our Company to the Petition, to deposit with interest various sums alleged to have been siphoned off illegally. No reliefs have been granted till date. Our Company made a representation dated December 08, 2014 to the SFIO, seeking the removal of our name as a respondent in the Petition and explaining the delay in making the representation since our Company did not receive any notices or communication as the address of our Company was wrongly mentioned in the Petition and consequently, our Company did not have an opportunity to present our case and defend us when the Petition was under consideration with the SFIO. Subsequently, on January 30, 2015, our Company also filed a company application before the CLB (the "**Application**") seeking the deletion of our name from the array of parties in the Petition on the grounds that is not a party to the Petition as it had provided the loan to APL in the ordinary course of its business and entered into appropriate documentation for the same. Vide the Application, our Company has denied the allegations of SFIO and has stated that our Company is not a party to the alleged diversion of funds and is a victim of this matter. The Application and the Petition are pending hearing and final disposal.

**Material frauds**

There are no material frauds committed against our Company during the last three years, except as stated below:

| Sr. No. | Details of fraud | Amount involved (₹ in million) |
|---|---|---|
| 1. | A customer of our Company had availed certain loans from the Company on the basis of fraudulent documents during fiscal 2012. | 4.45 |
| 2. | Certain employees of our Company in collusion with third parties including customers had misappropriated funds by falsifying gold loan documents and tendering fake gold as security during fiscal 2013. | 40.55 |

For further details, see "Selected Financial Information".

**Defaults in respect of dues payable**

Our Company has no outstanding defaults in relation to statutory dues payable, dues payable to holders of any debentures (including interest thereon) or dues in respect of deposits (including interest thereon) or any defaults in repayment of loans from any bank or financial institution (including interest thereon).

**Litigation or legal action against the Promoters taken by any Ministry, Department of Government or any statutory authority**

There are no litigation or legal action pending or taken by any ministry or department of the Government or statutory authority against any of the Promoters during the last three years immediately preceding the year of the circulation of this Placement Document and any direction issued by such ministry or department of the Government or statutory authority upon conclusion of such litigation or legal action.

## GENERAL INFORMATION

1. Our Company was originally incorporated on October 18, 2005, in the Republic of India with limited liability under the Companies Act, 1956, as a private limited company under the name 'KB Infin Private Limited'. Subsequently, our Company converted from a private limited company to a public limited company pursuant to a special resolution of our Shareholders dated April 27, 2006 with a fresh certificate of incorporation dated August 31, 2006. Thereafter, pursuant to a special resolution of the Shareholders dated November 29, 2006, the name of our Company was changed to 'Future Capital Holdings Limited' with a fresh certificate of incorporation dated December 21, 2006. Further, pursuant to a special resolution of the Shareholders dated September 25, 2012, the name of our Company was changed to 'Capital First Limited' with a fresh certificate of incorporation dated November 8, 2012. The corporate identity number of our Company is L29120MH2005PLC156795. The registered and corporate office of our Company is located at 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013, Maharashtra, India.

2. Our Company received a certificate of registration (No. N-13.01827) under Section 45 IA of the RBI Act from the RBI dated April 10, 2006 to commence or carry on the business of non-banking financial institution without accepting public deposits. Further, subsequent to the change in name of our Company from 'Future Capital Holdings Limited' to 'Capital First Limited', we received a fresh certificate of registration under Section 45 IA of the RBI Act from the RBI, dated April 10, 2006, to carry on the business of non-banking financial institution without accepting public deposits.

3. Our Company's authorized share capital is ₹ 1,130,000,000 divided into 103,000,000 Equity Shares of ₹ 10 each and 10,000,000 Compulsorily Convertible Preference Share of ₹ 10 each. Our Company's issued, subscribed and paid-up capital is ₹ 832,899,690 divided into 83,289,969 Equity Shares of ₹ 10 each.

4. The Issue was authorised and approved by the Board of Directors on September 24, 2014 and approved by the Shareholders of our Company through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014, for an issue size of up to ₹ 3,000 million.

5. For the main objects of our Company, please refer to the Memorandum of our Company.

6. Our Company has applied for in-principle approvals to list the Equity Shares on the Stock Exchanges and have obtained in-principle approvals in terms of Clause 24(a) of the Equity Listing Agreement on March 19, 2015, for the listing of the Equity Shares on the Stock Exchanges.

7. Copies of the Memorandum and Articles will be available for inspection during usual business hours on any weekday between 10:00 a.m. to 5:00 p.m. (except Saturdays and public holidays), at the Registered and Corporate Office.

8. Except as disclosed in this Placement Document, there are no significant changes in the financial or trading position of our Company since December 31, 2014, the date of the last audited consolidated condensed interim financial statements, prepared in accordance with Indian GAAP, the Companies Act and the guidelines issued by the RBI, as applicable, included herein.

9. Except as disclosed in this Placement Document, there are no material litigation or arbitration proceedings against or affecting our Company or our Company's assets or revenues, nor is our Company aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of the Issue.

10. Except as disclosed in this Placement Document, our Company has obtained necessary consents, approvals and authorizations required in connection with the Issue.

11. Our Company's current Auditors are M/s. S.R. BATLIBOI & CO. LLP, Chartered Accountants, who have audited, the consolidated financial statements of our Company for the fiscal years 2014, 2013 and 2012 and the audited consolidated condensed interim financial statements of our Company for the quarter and nine months ended December 31, 2014 and December 31, 2013, included in this Placement Document, are independent auditors with respect to our Company in accordance with the guidelines issued by the ICAI.

12. Our Company confirms that it is in compliance with the minimum public shareholding requirements as specified under the SCRR and required under the terms of the Equity Listing Agreement.

13. The Floor Price for the Issue is ₹ 409.90 per Equity Share on March 19, 2015 as the Relevant Date. The Floor Price has been calculated as per Regulation 85 of the SEBI Regulations.

14. The Capital Raising Committee of our Board, on March 24, 2015, approved the Issue Price of ₹ 390.00 by offering a discount of 4.85% to the Floor Price of ₹ 409.90, in accordance with the approval of the Shareholders through a special resolution passed by way of a postal ballot pursuant to a postal ballot notice dated September 24, 2014, the results of which were announced on November 3, 2014 and Regulation 85(1) of the SEBI Regulations.

## FINANCIAL STATEMENTS

**S.R. BATLIBOI & CO. LLP**
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax : +91 22 6192 1000

**Independent Auditor's Report**

**To the Board of Directors of**
**Capital First Limited**

**Report on the Consolidated Financial Statements**

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

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 and based on the consideration of the reports of the other auditors on the financial statements of one of the subsidiary, the consolidated 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:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**Other Matter**

We did not audit total assets of Rs. 2,121.58 lakhs as at March 31, 2014, total revenues of Rs. 2.30 lakhs and net cash inflow amounting to Rs. 543.43 lakhs for the year then ended, included in the accompanying consolidated financial statements in respect of one subsidiary whose financial statements and other financial information have been audited by other auditors and whose report has been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiary is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

**For S. R. BATLIBOI & CO. LLP**
Chartered Accountants
**ICAI Firm Registration Number:** 301003E

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

Place: Mumbai
Date: May 08, 2014

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

*Rupees in Lakhs*

| Particulars | Note no. | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 3 | 8,202.18 | 7,041.46 |
| Reserves and Surplus | 4 | 108,899.49 | 89,029.80 |
| | | **117,101.67** | **96,071.26** |
| **Share application money pending allotment** | 3 | 83.56 | - |
| **Non - Current Liabilities** | | | |
| Long term borrowings | 5 | 557,009.18 | 442,152.57 |
| Other Long term liabilities | 6 | 3,836.26 | 2,917.50 |
| Long term provisions | 7 | 9,525.75 | 8,527.08 |
| | | **570,371.19** | **453,597.15** |
| **Current Liabilities** | | | |
| Short term borrowings | 8 | 146,644.64 | 107,029.05 |
| Trade payables | 9 | 13,967.27 | 6,179.90 |
| Other current liabilities | 10 | 161,259.24 | 85,347.98 |
| Short term provisions | 11 | 3,765.95 | 5,307.30 |
| | | **325,637.10** | **203,864.23** |
| **TOTAL** | | **1,013,193.52** | **753,532.64** |
| **ASSETS** | | | |
| **Non - Current Assets** | | | |
| Fixed Assets | | | |
| - Tangible assets | 12 | 2,240.07 | 2,561.83 |
| - Intangible assets | 12 | 516.32 | 700.46 |
| - Goodwill on Consolidation | | 644.88 | 644.88 |
| | | **3,401.27** | **3,907.17** |
| Non - current investments | 13 | 110.71 | 110.71 |
| Deferred tax assets (Net) | 14 | 1,708.03 | 867.43 |
| Long term loans and advances | 15 | 500,851.89 | 398,718.10 |
| Other non current assets | 16 | 25,176.38 | 24,544.55 |
| | | **531,248.28** | **428,147.96** |
| **Current Assets** | | | |
| Current Investments | 17 | 34,631.52 | - |
| Trade receivables | 18 | 935.97 | 3,898.86 |
| Cash and Bank Balances | 19 | 201,307.51 | 119,060.30 |
| Short term loans and advances | 20 | 231,429.17 | 192,505.13 |
| Other current assets | 21 | 13,641.07 | 9,920.39 |
| | | **481,945.24** | **325,384.68** |
| **TOTAL** | | **1,013,193.52** | **753,532.64** |

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the Financial Statements

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

Place: Mumbai
Date : May 08, 2014

**For and on behalf of the Board of Directors of**
**CAPITAL FIRST LIMITED**

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Capital First Limited Mumbai

Place: Mumbai
Date : May 08, 2014

CAPITAL FIRST LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

*Rupees in Lakhs*

| Particulars | Note no. | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|---|
| Revenue from Operations | 22 | 105,300.75 | 80,029.42 |
| Other Income | 23 | 950.67 | 834.19 |
| **Total revenue** | | **106,251.42** | **80,863.61** |
| **Expenses** | | | |
| Employee benefits expense | 24 | 12,678.94 | 13,077.45 |
| Finance costs | 25 | 64,668.12 | 48,327.60 |
| Depreciation and Amortisation expense | 26 | 588.75 | 612.28 |
| Other expenses | 27 | 21,840.51 | 13,009.22 |
| **Total Expenses** | | **99,776.32** | **75,026.55** |
| **Profit before exceptional items and tax** | | **6,475.10** | **5,837.06** |
| Exceptional Items | 28 | - | 2,130.95 |
| **Profit before tax** | | **6,475.10** | **7,968.01** |
| **Tax expense:** | | | |
| - Current tax | | 3,161.29 | 1,811.63 |
| - Minimum Alternative Tax (MAT) Credit entitlement | | (17.55) | (658.37) |
| - Deferred tax credit | | (842.83) | (173.27) |
| - Tax for earlier years (Refer note 40) | | (1,720.90) | 10.66 |
| | | **580.01** | **990.65** |
| **Profit for the year from Continuing Operations** | (A) | **5,895.09** | **6,977.36** |
| Profit/(loss) before tax from discontinuing operations | | (572.35) | (646.24) |
| Tax expense of discontinuing operations | | 59.92 | 20.18 |
| **Profit/(loss) from discontinuing operations (after tax) (Refer note 42)** | (B) | **(632.27)** | **(666.42)** |
| **Profit/(Loss) for the year** | (A)+(B) | **5,262.82** | **6,310.94** |
| **Earning per equity share:** | 29 | | |
| - Basic (Rs.) | | 7.40 | 9.49 |
| - Diluted (Rs.) | | 7.38 | 9.44 |
| Summary of significant accounting policies | 2.1 | | |

The accompanying notes are an integral part of the Financial Statements

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

Place: Mumbai
Date : May 08, 2014

**For and on behalf of the Board of Directors of CAPITAL FIRST LIMITED**

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Capital First Limited Mumbai

Place: Mumbai
Date : May 08, 2014

CAPITAL FIRST LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit before tax from continuing operations | 6,475.10 | 7,968.01 |
| Profit before tax from discontinuing operations | (572.35) | (646.24) |
| **Profit before tax** | **5,902.75** | **7,321.77** |
| Adjustments for : | | |
| Depreciation/ amortisation on continuing operation | 588.75 | 612.28 |
| Depreciation/ amortisation on discontinuing operation | 54.38 | 87.52 |
| Preliminary expenses written off | - | 4.85 |
| Bad loans and trade receivables written off | 3,552.96 | 1,100.91 |
| Provision for standard assets | 268.09 | 270.43 |
| Provision for doubtful loans and advances | 1,064.82 | 808.73 |
| Goodwill written off | - | 153.79 |
| Provision for employee benefits | (92.20) | 119.21 |
| Profit on sale of investments (net) | (829.67) | - |
| Profit on sale of subsidiaries | - | (2,130.95) |
| Profit on trading in commodities | - | (83.52) |
| Loss on sale of fixed assets | 111.54 | 321.85 |
| Fixed Assets written off | - | 11.59 |
| Excess provision written back | (0.15) | (36.94) |
| Gain on translation of foreign subsidiary | 176.63 | - |
| Interest on Fixed Deposit & Investments | (4,721.85) | - |
| | **173.30** | **1,239.75** |
| **Operating Profit Before Working Capital Changes** | **6,076.05** | **8,561.52** |
| Adjustment for changes in working capital: | | |
| Increase in Trade Receivables | 2,962.90 | (2,435.23) |
| Increase in Loans and Advances | (140,533.16) | (120,469.24) |
| Increase in Other Assets | (4,352.46) | (13,706.83) |
| Increase in Trade payables and other liabilities | 18,010.69 | 8,486.33 |
| **Cash used in operations** | **(117,835.98)** | **(119,563.45)** |
| Direct taxes paid (net of refund) | (5,572.19) | (2,787.02) |
| **Net Cash used in Operating Activities (A)** | **(123,408.17)** | **(122,350.47)** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed Assets including intangible assets and Capital WIP | (492.71) | (1,041.00) |
| Sale proceeds from fixed assets | 243.91 | 46.69 |
| Sale proceeds from investments | 549,173.71 | 26,857.00 |
| Disposal of Subsidiaries | - | 2,130.96 |
| Purchase of investments | (582,975.57) | (7,922.53) |
| Increase or decrease in investments - Fixed Deposit | (87.00) | - |
| Interest on Fixed Deposit & Investments | 4,721.85 | - |
| **Net Cash (used in) / generated from Investing Activities (B)** | **(29,415.81)** | **20,071.12** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of Equity Share Capital | 1,160.71 | 313.94 |
| Proceeds from issue of Compulsorily convertible Preference Shares | - | 308.64 |
| Proceeds from Share Application Money Pending Allotment | 83.56 | - |
| Proceeds from Securities Premium on issue of Equity Share Capital | 16,691.07 | 4,760.14 |
| Proceeds from Securities Premium on issue of Compulsorily convertible Preference Shares | - | 4,691.36 |
| Payment of securities issue expenses | (634.72) | (2,015.44) |
| Payment of dividend | (1,278.44) | (971.98) |
| Payment of dividend tax | (217.27) | (157.68) |
| Refund of share application money | (0.92) | (2.88) |
| Proceeds from long term borrowings | 278,429.95 | 222,527.46 |
| Repayment of long term borrowings | (98,865.35) | - |
| Proceeds from short term borrowings | 65,319.98 | - |
| Repayment of short term borrowings | (25,704.38) | (60,602.97) |
| **Net Cash generated from Financing Activities (C)** | **234,984.19** | **168,850.59** |
| **Net increase in Cash and Cash Equivalents during the year (A+B+C)** | **82,160.21** | **66,571.24** |
| Cash and Cash equivalents at beginning of the year | 117,130.91 | 50,559.67 |
| **Cash and Cash equivalents at the end of the year** | **199,291.12** | **117,130.91** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **Cash and Cash equivalents comprises of :** | | |
| Cash in Hand | 1,394.07 | 1,604.45 |
| Balance with Banks | | |
| - in unpaid dividend accounts (Refer note 3 below) | 13.72 | 8.83 |
| - in unpaid share application money (Refer note 3 below) | 19.32 | 20.24 |
| - in current account | 111,048.66 | 95,497.39 |
| - in deposit accounts having original maturity less than three months | 86,815.35 | 20,000.00 |
| **Total** | **199,291.12** | **117,130.91** |

**Notes:**

1 The above Cash Flow Statement has been prepared under the "Indirect Method " as set out in Accounting Standard (AS) - 3 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.

2 Cash and cash equivalents in the balance sheet comprises of Cash in hand and Cash at bank.

3 The balances are not available for use by the Company as they represent corresponding unpaid dividend liability and unpaid share application money.

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

Place: Mumbai
Date : May 08, 2014

**For and on behalf of the Board of Directors of**
**CAPITAL FIRST LIMITED**

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date : May 08, 2014

Capital First Limited Mumbai

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

## 1 SIGNIFICANT ACCOUNTING POLICIES

### a) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements comprise of the Financial Statements of Capital First Limited (the 'Company' or 'CFL') and its subsidiaries (hereinafter collectively referred to as the 'Group').

The Consolidated financial statements have been prepared to comply in all material respects with the notified Accounting Standard ('AS') notified under the Companies Act, 1956 (the 'Act'), read with General Circular 8/2014 dated April 4, 2014 and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards (AS) are followed by the Company insofar as they are not inconsistent with the NBFC Regulation. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year .

### b) PRINCIPLES OF CONSOLIDATION

i. The Consolidated Financial Statements are prepared in accordance with AS - 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI). The financial statements of these group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of Inter Company transactions are eliminated on consolidation.

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible unless otherwise stated, are made in the Consolidated Financial Statements and are presented in the same manner as the Company's standalone financial statements.

ii. The subsidiary companies considered in the presentation of the Consolidated Financial Statements are:

| Particulars | Country of incorporation | Proportion of ownership interest as at March 31, 2014 | Proportion of ownership interest as at March 31, 2013 | Financial year ends on |
|---|---|---|---|---|
| **Subsidiaries :** | | | | |
| Capital First Investment Advisory Limited | India | 100% | 100% | 31st March |
| Capital First Commodities Limited | India | 100% | 100% | 31st March |
| Anchor Investment & Trading Private Limited | Mauritius | 100% | 100% | 31st March |
| Capital First Home Finance Private Limited | India | 100% | 100% | 31st March |
| Capital First Securities Limited | India | 100% | 100% | 31st March |

For the purpose of Consolidated Financial Statements, the results of CFL and its subsidiaries for the year ended March 31, 2014 have been derived from the respective Company's audited financials of the year ended March 31, 2014

## 2 GOODWILL ON CONSOLIDATION

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the Consolidated Financial Statements as goodwill. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The Goodwill on consolidation is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired.

## 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Current/ Non Current classification of assets and liabilities

As required by Revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

### (b) Use of estimates

The preparation of financial statements in conformity with Indian Generally Accepted Accounting Principles ("IGAAP") requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

### (c) Tangible Fixed assets

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are changed to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

**(d) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**(e) Depreciation on Tangible asset / Amortisation of Intangible asset**

Depreciation on tangible assets is provided using straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are depreciated on straight line basis over shorter of useful lives or primary period of lease agreements which ranges from three to five years.

Intangible assets includes domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years.

All fixed assets costing Rs 5,000 or less individually are fully depreciated / amortised in the year of purchase.

**(f) Loans**

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

**(g) Leases**

**Operating Lease**

***Where the Company is lessee***

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight line basis over the tenure of the lease.

**Finance Lease**

***Where the Company is the lessor***

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the Internal Rate of Return ('IRR') method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

**(h) Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized 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 at the pre tax discount rate reflecting current market assessment of time value of money and risks specific to 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.

**(i) Investments**

Investments that are readily realisable and 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. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value.

**(j) Investment Property**

An investment in land or buildings, which is not intended to be occupied substantially for use, or in the operations of, the Company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any.

The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the investment property to its working condition for the intended use.

Depreciation on building component of investment property is calculated on straight line basis at the rates prescribed under the Schedule VI of the Companies Act, 1956.

On disposal of an investment, the difference between its carrying cost amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**(k) Commercial Papers**

Commercial paper is recognised at redemption value net of unamortized finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

**(l) Foreign currency transactions**

(i) *Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

(iii) *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**(m) Revenue recognition**

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

**Interest income**

Interest income from Retail loans is accounted based on applying Internal Rate of Return ('IRR') and from other loans is accounted based on applying interest rate implicit in the contract.In case of non-performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

Interest on all other assets is recognised on time proportion basis.

**Income on discounted instruments**

Income on discounted instruments is recognised over the tenor of the instrument on straight line basis.

**Fee income**

Fee income on loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed / transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure / transfer through assignment.

**Commission and brokerage income**

Commission and brokerage income earned for the services rendered are recognised as and when they are due.

**Income from distribution of products**

Income from distribution on various products is accounted on the basis of procurements undertaken during the period with a reasonable estimate towards the trail fees

**Income from Assignment of loans and receivables**

Income from assignment of loans and receivables is amortised over the tenure of loans in accordance with the RBI circular "Revisions to the Guidelines on Securitisation Transactions" dated August 21, 2012.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

**Dividend income**

Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

**Lease Rental and Amenities**

Lease rentals are recognized as an income in the statement of profit and loss on a straight line basis over the primary lease period, net of service tax. Amenities charges are recognized in accordance with the arrangements entered into with the lessees, net of service tax.

**Profit/ Loss on sale of investments**

Profit/loss earned on sale of investments is recognised on trade date basis. Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**(n) Accounting for Derivative Instruments**

Derivatives are financial instruments falling under the category of "fair value through profit and loss" as defined under Accounting Standard (AS) 30 - Financial Instruments: Recognition and Measurement.

The Company has used derivative financial instruments such as commodity futures for trading purpose which are initially recorded at fair value. The same are subsequently measured at fair value at each reporting date with their fair valuation gain / loss taken to Statement of Profit & Loss.

On final settlement or squaring up of contracts for commodity futures, the realised profit or loss after adjusting the unrealised loss, if any, is recognised in the Statement of Profit & Loss.

**(o) Securities issue expenses**

Securities issue expenses are debited against securities premium account in accordance with the provisions of Section 78 of the Companies Act, 1956.

**(p) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

**Gratuity**

The Group provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The 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.

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

In case of funded liability the Group makes contribution to a scheme administered by the Life Insurance Corporation of India ("LIC") and Future Generali India Life Insurance Company Limited to discharge the gratuity liability to employees. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method

**(q) Leave Encashment**

Earned leave during the financial year and remaining unutilized will be encashed at the yearend based on basic salary. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

**(r) Borrowing costs**

Borrowing costs consists of interest and other ancillary cost that an entity incurs in connection with borrowing of funds. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the tenor of borrowings.

**(s) Loan origination cost**

Loan origination costs such as credit verification, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the contractual tenor of the loan agreements. Full month's amortization is done in the month of booking of loan. For the agreements foreclosed or transferred through assignment, the unamortised portion of the loan acquisition costs is recognised as charge to the Statement of Profit and Loss at the time of such foreclosure/ transfer through assignment.

**(t) Income taxes**

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the 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 income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of 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 realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**(u) Provisioning / Write-off on Overdue assets**

The provisioning / write-off on overdue assets is as per the management estimates, subject to the minimum provision required as per Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007.

The Company accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming overdue, its recognition as such and realisation of available security.

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

**(v) Employee Stock Option Scheme ('ESOS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of the Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

**(w) Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(x) Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(y) Contingent liabilities**

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

**(z) Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank including fixed deposit with original maturity period of three months and short term highly liquid investments with an original maturity of three months or less.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **3 Share Capital** | | |
| **Authorized:** | | |
| 103,000,000 (Previous Year: 103,000,000) Equity shares of Rs. 10/- each | 10,300.00 | 10,300.00 |
| 10,000,000 (Previous Year: 10,000,000) Compulsorily Convertible Preference shares ('CCPS') of Rs. 10/- each | 1,000.00 | 1,000.00 |
| | **11,300.00** | **11,300.00** |
| **Issued, subscribed and fully paid up:** | | |
| 82,631,469 (Previous Year: 71,024,324) equity shares of Rs. 10/- each | 8,263.15 | 7,102.43 |
| Less: 609,713 equity shares of Rs. 10/- each (Previous Year: 609,713) held by Employee Welfare Trusts but not alloted to Employees (Refer note no. 38) | (60.97) | (60.97) |
| | **8,202.18** | **7,041.46** |

a. Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the reporting year:

| | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Number | Rupees in Lakhs | Number | Rupees in Lakhs |
| At the beginning of the year | 71,024,324 | 7,102.43 | 64,798,484 | 6,479.85 |
| Issued during the year- Employees Stock Option Scheme | - | - | 53,000 | 5.30 |
| Issued during the year (Refer note no. 37) | 11,607,145 | 1,160.72 | 3,086,420 | 308.64 |
| Conversion of Compulsory Convertible Preference Shares into Equity Shares | - | - | 3,086,420 | 308.64 |
| Bought back during the reporting period | - | - | - | - |
| **At the close of the reporting year** | **82,631,469** | **8,263.15** | **71,024,324** | **7,102.43** |

b. Reconciliation of number of CCPS and amount outstanding at the beginning and at the end of the reporting year:

| | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Number | Rupees in Lakhs | Number | Rupees in Lakhs |
| At the beginning of the year | - | - | - | - |
| Issued during the year | - | - | 3,086,420 | 308.64 |
| Conversion into Equity Shares | - | - | (3,086,420) | (308.64) |
| **At the close of the reporting year** | - | - | - | - |

c. Terms / Rights attached to Equity Shares:
The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of 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 number of equity shares held by the shareholders.

d. Shares held by the holding company and the subsidiary of the ultimate holding company:

| | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Number | Rupees in Lakhs | Number | Rupees in Lakhs |
| Equity shares of Rs. 10/- each | | | | |
| Cloverdell Investment Ltd | 58,237,645 | 5,823.76 | 49,880,500 | 4,988.05 |
| Dayside Investment Ltd | 1,247,957 | 124.80 | 243,761 | 24.38 |

e. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

| | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Cloverdell Investment Ltd | 58,237,645 | 70.48% | 49,880,500 | 70.23% |
| Future Retail Limited (earlier known as Pantaloon Retail (India) Limited) | 6,479,848 | 7.84% | 6,479,848 | 9.12% |
| JV & Associates LLP | 4,773,795 | 5.78% | 4,773,795 | 6.72% |

| | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| f. Securities convertible into equity shares: | Nil | Nil |
| g. Shares reserved for issue under Employee Stock Option Scheme (Refer note no. 32) | 4,635,500 | 4,024,000 |
| h. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceding the reporting date. | Nil | Nil |

i. **Share Application Money Pending Allotment**
Share application money pending allotment represents money received from employees pursuant to exercise of stock options i.e. 62,500 equity shares with face value Rs. 10 at a premium of Rs.123.70. The shares were allotted subsequent to the balance sheet date on April 9, 2014.

S.Y. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **4 Reserves and Surplus** | | |
| **Capital Reserve** | | |
| Balance as per last Balance Sheet | **5,925.00** | **5,925.00** |
| **Statutory Reserve under Section 45-IC of the RBI Act, 1934** | | |
| Balance as per last Balance Sheet | 5,700.14 | 4,306.94 |
| Less: Reduction on account of sale of subsidiary i.e. Future Finance Limited | - | (2.28) |
| Add: Transferred from Statement of Profit and Loss | 739.67 | 1,395.48 |
| | **6,439.81** | **5,700.14** |
| **Statutory Reserve under Section 29C of the National Housing Bank Act, 1987** | | |
| Balance as per last Balance Sheet | - | - |
| Add: Transferred from Statement of Profit and Loss | 34.41 | - |
| | **34.41** | **-** |
| **Securities Premium Account** | | |
| Balance as per last Balance Sheet | 70,609.71 | 63,173.65 |
| Add : Received during the year | 16,691.07 | 9,451.50 |
| Less : Securities issue expenses | | |
| - Debentures issue expenses | (535.18) | (2,015.44) |
| - Equity issue expenses | (99.53) | - |
| | **86,666.07** | **70,609.71** |
| Less: 609,713 equity shares (Previous Year: 609,713) issued to Employee Welfare Trusts but not alloted to Employees (Refer note no. 38) | (1,429.38) | (1,457.38) |
| | **85,236.69** | **69,152.33** |
| **Foreign Exchange Fluctuation Reserve** | | |
| Balance as per last Balance Sheet | 229.55 | 122.53 |
| Add : Addition during the year | 176.63 | 107.02 |
| | **406.18** | **229.55** |
| **General Reserve** | | |
| Balance as per last Balance Sheet | 1,260.57 | 737.27 |
| Add : Transferred from Statement of Profit and Loss | 277.38 | 523.30 |
| | **1,537.95** | **1,260.57** |
| **Surplus in the Statement of Profit and Loss** | | |
| Balance as per last Balance Sheet | 6,762.21 | 3,538.30 |
| Add: Loss of subsidiary excluded on sale | - | 327.46 |
| Add: Profit for the year | 5,262.82 | 6,310.94 |
| Less: Appropriations: | | |
| Transfer to statutory reserve u/s 45-IC of the RBI Act, 1934 | (739.67) | (1,395.48) |
| Transfer to statutory reserve u/s 29C of the National Housing Bank Act, 1987) | (34.41) | - |
| Proposed dividend (Amount per share Rs. 2.00 (Previous year Rs. 1.80)) | (1,654.12) | (1,278.44) |
| Dividend tax thereon (Refer note no. 43) | - | (217.27) |
| Transfer to general reserve | (277.38) | (523.30) |
| | **9,319.45** | **6,762.21** |
| | **108,899.49** | **89,029.80** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | Non Current Portion | | Current Maturities* | |
|---|---|---|---|---|
| | As at March 31, 2014 | As at March 31, 2013 | As at March 31, 2014 | As at March 31, 2013 |
| **5 Long term borrowings** | | | | |
| **Secured** | | | | |
| Redeemable Non Convertible Debentures | 57,430.00 | 68,910.00 | 6,480.00 | 2,500.00 |
| Term Loans | | | | |
| - from Banks | 438,079.85 | 318,244.99 | 119,561.32 | 71,333.33 |
| **Unsecured** | | | | |
| Redeemable Non Convertible Perpetual Debentures | 14,000.00 | 12,500.00 | - | - |
| Redeemable Non Convertible Debentures (Subordinated debt) | 20,000.00 | 15,000.00 | - | - |
| Term Loans | | | | |
| - from Banks (Subordinate debt) | 27,499.33 | 27,497.58 | - | - |
| - from Banks (Other) | - | - | 12,500.00 | - |
| | 557,009.18 | 442,152.57 | 138,541.32 | 73,833.33 |

* Amount disclosed under the head 'Other current liabilities' (Refer note no. 10)

**a. Security details for Secured Redeemable Non Convertible Debentures**

Debentures are secured by first charge on the fixed asset owned by the Company and first exclusive charge on the standard receivables of retail and corporate loan assets and other current assets of the Company.

**b. Particulars of Secured Redeemable Non Convertible Debentures**

*Rupees in Lakhs*

| Particulars | Face Value | Quantity | Date of Redemption | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|---|---|---|
| 10.00% CAPFIRSTNCD Series 2 | 10.00 | 1,000 | March 20, 2018 | 10,000.00 | 10,000.00 |
| 10.00% CAPFIRSTNCD Series 1 | 10.00 | 1,000 | February 15, 2018 | 10,000.00 | 10,000.00 |
| 11.25%,Tranche 2 | 10.00 | 1,250 | December 1, 2015 | 12,500.00 | 12,500.00 |
| 11.25%,Tranche 1 | 10.00 | 1,250 | October 1, 2015 | 12,500.00 | 12,500.00 |
| 10.25%,Tranche 2-A * | 10.00 | 60 | August 31, 2015 | 600.00 | 600.00 |
| 11.00%,Tranche 2-B3 | 10.00 | 4 | August 31, 2015 | 40.00 | 40.00 |
| 10.25%,Tranche 1-A * | 10.00 | 500 | August 16, 2013 | - | 5,000.00 |
| 10.25%,Tranche 1-A * | 10.00 | 751 | August 16, 2015 | 7,510.00 | 7,510.00 |
| 11.00%,Tranche 1-B3 | 10.00 | 428 | August 16, 2015 | 4,280.00 | 4,280.00 |
| 11.00%,Tranche 2-B2 | 10.00 | 3 | February 28, 2015 | 30.00 | 30.00 |
| 11.00%,Tranche 1-B2 | 10.00 | 321 | February 16, 2015 | 3,210.00 | 3,210.00 |
| 11.00%,Tranche 2-B1 | 10.00 | 3 | August 31, 2014 | 30.00 | 30.00 |
| 11.00%,Tranche 1-B1 | 10.00 | 321 | August 16, 2014 | 3,210.00 | 3,210.00 |
| 10.35%,Tranche 1 | 10.00 | 250 | December 30, 2013 | - | 2,500.00 |
| | | | | 63,910.00 | 71,410.00 |

* These Debentures have tenure of 5 years subject to call/put option with the lender/investor to be exercised only after 3 years from the date of issue.

**c. Security details for Secured Term loans**

1 Term loans of Rs. 513,391.88 lakhs (Previous year: Rs. 330,342.72 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.

2 Term loans of Rs. 5,999.73 lakhs (Previous Year: Rs. 12,979.90 lakhs) is secured by way of first exclusive charge on receivables of priority sector lending of the Company.

3 Term loans of Rs. 38,249.56 lakhs (Previous Year: Rs. 46,255.70 lakhs) is secured by way of first exclusive charge on receivables of the Company.

**d. Particulars of Unsecured Redeemable Non Convertible Perpetual Debentures**

| Particulars | Issue Date | Coupon | Quantity | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|---|---|---|
| CAPFIRSTPEPNCD Series 1 | March 8, 2013 | 11% | 1,000 | 10,000.00 | 10,000.00 |
| CAPFIRSTPEPNCD Series 2 | Merch 14, 2013 | 11% | 250 | 2,500.00 | 2,500.00 |
| CAPFIRSTPEPNCD Series 3 | May 24, 2013 | 10.65% | 150 | 1,500.00 | - |
| | | | | 14,000.00 | 12,500.00 |

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| Funds raised through perpetual debentures | 14,000.00 | 12,500.00 |
| Amount outstanding as at the end of the year | 14,000.00 | 12,500.00 |
| Percentage of Perpetual Debt Instrument to Total Tier I Capital | 11.17% | 12.41% |
| Financial year in which interest on Perpetual Debt Instrument is not paid on account of Lock-in-clause | NA | NA |

These Debentures have a 'Call Option' which may be exercised by the Company only after the instrument has run for a period of ten years from the date of allotment. Further, call option shall be exercised by the Company only with the prior approval of Reserve Bank of India (RBI) and as per RBI guidelines. It also have a coupon rate step-up option of 100 bps, which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of allotment of issue. On excercise of this option the coupon rate will be higher by 100 bps for subsequent years, if Call Option is not exercised by the Company. The claim of the investors shall be pari passu among themselves and with other subordinated indebtedness of the Company, superior to the claims of investors in equity shares and subordinate to the claims of all other unsecured creditors and depositors of the Company, as regards repeyment of principal and interest by the Issuer

**e. Particulars of Unsecured Redeemable Non Convertible Debentures (Subordinated debt)**

| Particulars | Face Value | Quantity | Date of Redemption | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|---|---|---|
| 10.30% CAPFIRSTUNNCD Series 1 | 10.00 | 1,000 | February 28, 2023 | 10,000.00 | 10,000.00 |
| 10.30% CAPFIRSTUNNCD Series 2 | 10.00 | 500 | February 28, 2023 | 5,000.00 | 5,000.00 |
| 9.50% CAPFIRSTUNNCD Series 3 | 10.00 | 500 | May 17, 2028 | 5,000.00 | - |
| | | | | 20,000.00 | 15,000.00 |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

**Particulars**

**5 Long term Borrowings (continued):**

**f. Terms of repayment:**

**Term loans from Banks -Secured**

**As at March 31, 2014**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 Months | 10.25% | Quarterly Instalments | 32,812.50 | 187.32 |
| 48-60 months | 10.20% to 10.50% | Quarterly Instalments | 174,998.93 | 19,999.00 |
| 36-48 months | 10.20% to 10.55% | Quarterly Instalments | 161,437.87 | 56,041.67 |
| 24-36 months | 10.25% to 10.50% | Semi-Annual & Quarterly Instalments | 65,497.23 | 37,500.00 |
| 12-24 months | 10.25% to 10.70% | Quarterly Instalments | 3,333.32 | 5,833.33 |
| Upto 12 months | 10.00% to 10.25% | Quarterly Instalments | - | - |
| **Grand Total** | | | **438,079.85** | **119,561.32** |

**As at March 31, 2013**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 Months | 10.75% | Quarterly Instalments | 22,500.00 | 2,500.00 |
| 48-60 months | 10.50% to 10.75% | Quarterly Instalments | 157,485.62 | 10,000.00 |
| 36-48 months | 10.30% to 11.25% | Semi-Annual & Quarterly Instalments | 134,092.70 | 50,500.00 |
| 24-36 months | 10.70% | Quarterly Instalments | 4,166.67 | 3,333.33 |
| Upto 12 months | 10.75% | Quarterly Instalments | - | 5,000.00 |
| **Grand Total** | | | **318,244.99** | **71,333.33** |

**Term Loan from bank- Unsecured**

**As at March 31, 2014**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 months | 10.50% | Bullet | 7,499.33 | - |
| 48-60 months | 11.75% | Bullet | 20,000.00 | - |
| Upto 12 months | 10.00% to 10.25% | Bullet | - | 12,500.00 |
| **Grand Total** | | | **27,499.33** | **12,500.00** |

**As at March 31, 2013**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 months | 10.50% to 11.75% | Bullet | 27,497.58 | - |
| **Grand Total** | | | **27,497.58** | **-** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **6 Other Long term liabilities** | | |
| Unamortised processing fees/ subvention income (Refer note no. 36(c)) | 3,836.26 | 2,893.21 |
| Others | - | 24.29 |
| | **3,836.26** | **2,917.50** |
| **7 Long term Provisions** | | |
| For standard assets | 1,238.59 | 1,006.71 |
| For doubtful loans and advances | 2,265.34 | 485.87 |
| For foreclosure/ credit loss on assignment | 5,837.97 | 6,866.40 |
| Provisions for employee benefits | | |
| - Gratuity | 183.85 | 168.10 |
| | **9,525.75** | **8,527.08** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **8 Short term Borrowings** | | |
| **Secured** | | |
| Loans repayable on demand * | | |
| - from banks | 146,644.64 | 104,546.10 |
| **Unsecured** | | |
| Commercial papers | - | 2,482.95 |
| | **146,644.64** | **107,029.05** |

*** Additional Information:**

1 Cash credit (including Working Capital Demand Loan) of Rs. 106,743.33 lakhs (Previous Year: Rs. 64,667.15 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.

2 Cash Credit of Rs. 39,901.31 lakhs (Previous Year: Rs. 39,878.95 lakhs) is secured by way of first exclusive charge on receivables of the Company.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **9 Trade Payables** | | |
| To Micro, Small and Medium Enterprises | - | - |
| Others (Refer note no. 41) | 13,967.27 | 6,179.90 |
| | **13,967.27** | **6,179.90** |

*** Disclosure under Micro, Small and Medium Enterprises Development Act, 2006**

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2014. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act, 2006 (Act) has been determined to the extent such parties have been identified by the Company.

| | | |
|---|---|---|
| **10 Other current liabilities** | | |
| Current maturities of Long term borrowings (Refer note 5) | 138,541.32 | 73,833.33 |
| Interest accrued and due on borrowings | 210.10 | 180.54 |
| Interest accrued but not due on borrowings | 2,656.49 | 2,488.13 |
| Income received in advance | 22.56 | 29.95 |
| Advance received from Customers | - | - |
| Overdrawn Book balance | 8,341.30 | 1,731.53 |
| Unamortised processing fees/ subvention income (Refer note no. 36(c)) | 5,193.95 | 2,838.39 |
| Unclaimed dividends | 13.72 | 8.83 |
| Unclaimed Share Application Money | 19.32 | 20.24 |
| Security Deposits | 9.79 | 47.89 |
| Payable to retail broking clients | - | - |
| Other liabilities (includes statutory liabilities and payables under assignment activities) | 6,250.69 | 4,169.15 |
| | **161,259.24** | **85,347.98** |
| **11 Short term provisions** | | |
| Proposed dividend | 1,654.12 | 1,278.44 |
| Dividend tax thereon (Refer note no. 43) | - | 217.27 |
| Provision for employee benefits | | |
| - Gratuity | 20.43 | 18.68 |
| - Leave encashment and availment | 59.41 | 169.12 |
| For standard assets | 547.80 | 491.59 |
| For doubtful loans and advances | 285.58 | 112.96 |
| For doubtful debts | 300.53 | 1,136.60 |
| For doubtful deposits | 18.25 | 18.25 |
| For foreclosure/ credit loss on assignment | 879.83 | 1,822.36 |
| For income tax (net of advance taxes) | - | 42.03 |
| | **3,765.95** | **5,307.30** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

CAPITAL FIRST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

12 Fixed Assets

*Rupees in Lakhs*

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2013 | Additions during the year | Deletions/ Adjustments during the year | As at March 31, 2014 | As at April 1, 2013 | For the year | | Deletions/ Adjustments during the year | As at March 31, 2014 | As at March 31, 2014 | As at March 31, 2013 |
| | | | | | | For Continued operations | For Discontinued operations | | | | |
| **Tangible Assets** | | | | | | | | | | | |
| **Own assets** | | | | | | | | | | | |
| Land * | 6.25 | - | - | 6.25 | - | - | - | - | - | 6.25 | 6.25 |
| Computers and Printers | 1,983.94 | 268.59 | 444.05 | 1,808.48 | 964.63 | 222.47 | 22.04 | 356.65 | 852.49 | 955.99 | 1,019.31 |
| Office Equipment | 705.65 | 43.96 | 143.84 | 605.77 | 211.06 | 44.71 | 0.44 | 85.55 | 170.66 | 435.11 | 494.59 |
| Furniture and Fixtures | 650.14 | 27.48 | 164.12 | 513.50 | 246.37 | 31.51 | 0.51 | 122.72 | 155.67 | 357.83 | 403.77 |
| Electrical Installation | 202.74 | 12.19 | 8.89 | 206.04 | 13.74 | 9.78 | - | 0.82 | 22.70 | 183.34 | 189.00 |
| Air Conditioners | 72.63 | 9.17 | 56.16 | 25.64 | 51.83 | 0.74 | 0.40 | 40.24 | 12.73 | 12.91 | 20.80 |
| Leasehold Improvements | 1,261.20 | 18.20 | 618.79 | 660.61 | 833.08 | 117.74 | 5.16 | 584.01 | 371.97 | 288.64 | 428.11 |
| Vehicles | 20.63 | - | 20.63 | - | 20.63 | - | - | 20.63 | - | - | - |
| Generator set | - | - | - | - | - | - | - | - | - | - | - |
| **Sub-Total (A)** | 4,903.18 | 379.59 | 1,456.48 | 3,826.29 | 2,341.34 | 426.95 | 28.55 | 1,210.62 | 1,586.22 | 2,240.07 | 2,561.83 |
| **Intangible Assets** | | | | | | | | | | | |
| Domain Names and Trade Names | 16.31 | - | - | 16.31 | 15.96 | 0.07 | - | - | 16.03 | 0.28 | 0.35 |
| Data Processing Software | 1,187.36 | 113.12 | 273.61 | 1,026.87 | 487.25 | 161.73 | 25.83 | 163.98 | 510.83 | 516.04 | 700.11 |
| **Sub-Total (B)** | 1,203.67 | 113.12 | 273.61 | 1,043.18 | 503.21 | 161.80 | 25.83 | 163.98 | 526.86 | 516.32 | 700.46 |
| **Total (A+B)** | 6,106.85 | 492.71 | 1,730.09 | 4,869.47 | 2,844.55 | 588.75 | 54.38 | 1,374.60 | 2,113.08 | 2,756.39 | 3,262.29 |

*Mortgaged as security against Secured Non Convertible Debentures

**Previous Year**

*Rupees in Lakhs*

| Particulars | GROSS BLOCK (AT COST) | | | | | DEPRECIATION / AMORTISATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2012 | Additions for the year | Deletions/ Adjustments during the year | Deletion on sale of subsidiaries | As at March 31, 2013 | As at April 1, 2012 | For the year | | Deletions/ Adjustments during the year | Deletion on sale of subsidiaries | As at March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| | | | | | | | For Continued operations | For Discontinued operations | | | | | |
| **Tangible Assets** | | | | | | | | | | | | | |
| Land * | 6.25 | - | - | - | 6.25 | - | - | - | - | - | - | 6.25 | 6.25 |
| Computers and Printers | 1,531.96 | 572.58 | 118.72 | 1.88 | 1,983.94 | 835.35 | 190.47 | 33.90 | 93.20 | 1.88 | 964.64 | 1,019.31 | 696.61 |
| Office Equipment | 705.07 | 137.20 | 135.57 | 1.06 | 705.64 | 203.16 | 44.34 | 0.68 | 36.34 | 0.77 | 211.07 | 494.59 | 501.92 |
| Furniture and Fixtures | 737.83 | 79.28 | 164.19 | 2.79 | 650.13 | 259.48 | 40.08 | 1.04 | 53.33 | 0.92 | 246.35 | 403.77 | 478.35 |
| Electrical Installation | 244.68 | 34.93 | 62.56 | 14.30 | 202.75 | 21.17 | 11.94 | - | 15.62 | 3.76 | 13.73 | 189.00 | 223.50 |
| Air Conditioners | 108.87 | 0.55 | 36.80 | - | 72.62 | 58.70 | 1.28 | 1.01 | 9.16 | - | 51.83 | 20.80 | 50.18 |
| Leasehold Improvements | 1,327.41 | 103.37 | 169.60 | - | 1,261.18 | 824.56 | 137.90 | 12.79 | 142.18 | - | 833.07 | 428.11 | 502.85 |
| Vehicles | 20.63 | - | - | - | 20.63 | 20.63 | - | - | - | - | 20.63 | - | - |
| Generator set | 15.65 | - | - | 15.65 | - | 3.76 | 0.19 | - | - | 3.94 | 0.01 | - | 11.89 |
| **Sub-Total (A)** | 4,698.35 | 927.91 | 687.44 | 35.68 | 4,903.14 | 2,226.81 | 426.20 | 49.42 | 349.83 | 11.27 | 2,341.33 | 2,561.83 | 2,471.55 |
| **Intangible Assets** | | | | | | | | | | | | | |
| Domain and Trade Names | 15.94 | 20.83 | 20.46 | - | 16.31 | 11.93 | 5.70 | - | 1.68 | - | 15.95 | 0.35 | 4.01 |
| Data Processing Software | 678.74 | 509.00 | 0.38 | - | 1,187.36 | 299.54 | 149.74 | 38.10 | 0.13 | - | 487.25 | 700.11 | 379.19 |
| **Sub-Total (B)** | 694.68 | 529.83 | 20.84 | - | 1,203.67 | 311.47 | 155.44 | 38.10 | 1.81 | - | 503.20 | 700.46 | 383.20 |
| **Total (A+B)** | 5,393.03 | 1,457.74 | 708.28 | 35.68 | 6,106.81 | 2,538.28 | 581.64 | 87.52 | 351.64 | 11.27 | 2,844.53 | 3,262.29 | 2,854.75 |

*Mortgaged as security against Secured Non Convertible Debentures

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Name of the Company | Quantity | As at March 31, 2014 | Quantity | As at March 31, 2013 |
|---|---|---|---|---|
| **13 Non - Current Investments** | | | | |
| **Trade Investments: (Valued at Cost unless otherwise stated)** | | | | |
| **Investments in Equity Instruments (Unquoted):** | | | | |
| Others: | | | | |
| In fully paid up equity shares of Rs.10 each | | | | |
| IndoSpace Rohan Industrial Park Private Limited | 7,146 | 21.95 | 7,146 | 21.95 |
| IndoSpace Rohan Industrial Park Mahalunge Private Limited | 105 | 20.01 | 105 | 20.01 |
| IndoSpace Rohan Industrial Park Khed Private Limited | 166 | 24.34 | 166 | 24.34 |
| IndoSpace Rohan Industrial Park Pune Private Limited | 105 | 20.05 | 105 | 20.05 |
| IndoSpace SKCL Industrial Park Orgadem Private Limited | 12,025 | 16.56 | 12,025 | 16.56 |
| IndoSpace FWS Industrial Park Private Limited | 3,957 | 7.80 | 3,957 | 7.80 |
| | | **110.71** | | **110.71** |
| **Additional Information:** | | | | |
| Aggregate value of quoted investments: | | - | | - |
| Aggregate value of unquoted investments: | | 110.71 | | 110.71 |
| Aggregate provision for diminution in value of investments: | | - | | - |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **14 Deferred tax assets (Net)** | | |
| **Deferred tax asset:** | | |
| On account of depreciation on fixed assets | 191.08 | 336.00 |
| On other disallowances under Income Tax Act, 1961 | | |
| - Retirement Benefit | 69.44 | 63.48 |
| - Provision for doubtful debts | 101.52 | 94.62 |
| - Provision for doubtful retail loans | 857.63 | 192.38 |
| - Unamortised Processing fees | 3,068.52 | 1,948.17 |
| - Provision for standard assets | 606.70 | 509.27 |
| - Other disallowance | 27.53 | 6.21 |
| | **4,922.42** | **3,150.13** |
| **Deferred tax liability:** | | |
| Special Reserve | 11.16 | - |
| Unamortised loan origination cost | 2,233.44 | 1,644.52 |
| Unamortised borrowing costs | 969.79 | 638.18 |
| | **3,214.39** | **2,282.70** |
| **Net Deferred tax assets** | **1,708.03** | **867.43** |
| **15 Long term loans and advances** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity | 451,836.18 | 380,592.77 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity | 3,879.66 | 1,650.17 |
| *Unsecured, considered good* | | |
| Capital advances | 79.71 | 90.66 |
| Security Deposits | 754.76 | 1,046.47 |
| Loans and advances relating to financing activity | 33,028.86 | 4,478.58 |
| Receivables under loans assigned | 3,480.55 | 6,463.03 |
| Advances to staff * | - | 100.00 |
| Advances recoverable in cash or in kind or for value to be received | 144.81 | 894.65 |
| Advance taxes (net of provision for tax) | 7,387.96 | 3,338.34 |
| *Unsecured, considered doubtful* | | |
| Loans and advances relating to financing activity | 259.40 | 63.43 |
| | **500,851.89** | **398,718.10** |
| *Additional Information: | | |
| Debts due by directors or other officers of the Company | - | 100.00 |
| **16 Other non current assets:** | | |
| Unamortised loan origination cost (Refer note no. 36(a)) | 3,813.23 | 3,469.82 |
| Unamortised borrowing costs (Refer note no. 36(b)) | 2,089.79 | 1,405.73 |
| Balances with banks | | |
| - in deposit accounts exceeding twelve months maturity * | 19,273.36 | 19,669.00 |
| | **25,176.38** | **24,544.55** |

* includes under lien Rs. 16,021.01 lakhs (Previous year Rs. 16,667.10 lakhs) relating to assignment and Rs. 3,250.45 lakhs (Previous year Rs. 3,000.00 lakhs) relating to term loans.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | Quantity | As at March 31, 2014 | Quantity | As at March 31, 2013 |
|---|---|---|---|---|
| **17 Current Investments** | | | | |
| **Investments in Commercial Papers** | 7000 | 34,631.52 | - | - |
| | - | **34,631.52** | | - |
| **Additional Information:** | | | | |
| Aggregate value of unquoted investments: | | | | |
| - Cost | | 34,631.52 | | - |

| Name of body corporate | Quantity | As at March 31, 2014 | Quantity | As at March 31, 2013 |
|---|---|---|---|---|
| Aditya Birla Finance Limited | 1000 | 4,962.79 | - | - |
| Kotak Mahindra Investment Limited | 1000 | 4,924.25 | - | - |
| Family Credit Limited | 2000 | 9,914.04 | - | - |
| L&T FinCorp Limited | 2000 | 9,901.59 | - | - |
| Tata Housing Development Company Limited | 1000 | 4,928.85 | - | - |
| **Total** | **7,000** | **34,631.52** | - | - |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| **18 Trade receivables** | | |
| Trade receivables exceeding six months | | |
| - Secured, considered good | - | 4.83 |
| - Unsecured, considered doubtful | 259.87 | 283.11 |
| | 259.87 | 287.94 |
| Other debts | | |
| - Secured, considered good | - | 1,255.07 |
| - Unsecured, considered good | 635.45 | 2,311.88 |
| - Unsecured, considered doubtful | 40.65 | 43.97 |
| | 676.10 | 3,610.92 |
| | **935.97** | **3,898.86** |
| **19 Cash and Bank Balances** | | |
| **Cash and Cash Equivalents:** | | |
| Cash on hand * | 1,394.07 | 1,604.45 |
| Balances with Banks | | |
| - in unclaimed dividend accounts | 13.72 | 8.83 |
| - in unclaimed share application money | 19.32 | 20.24 |
| - in current accounts | 111,048.66 | 95,497.39 |
| - in deposit accounts having original maturity less than three months | 86,815.35 | 20,000.00 |
| | 199,291.12 | 117,130.91 |
| **Other Bank Balances** | | |
| Deposit with original maturity for more than three months but less than twelve months | | |
| - in fixed deposit accounts # | 2,006.39 | 20.00 |
| - in fixed deposit accounts lien against Bank Guarantee ** | - | 1,899.39 |
| - in fixed deposit account earmarked against Trade Guarantee Fund | 10.00 | 10.00 |
| | **201,307.51** | **119,060.30** |

*Includes Cash in transit amounting to Rs. 120.98 lakhs (Previous year Rs.169.36 lakhs).
# includes under lien Rs. 2,000.00 lakhs (Previous year Rs. Nil) relating to assignment.
** Includes a restricted fixed deposit of amount Rs. Nil (Previous year Rs. 1,411.89 lakhs) which was in relation to performance fees and received from third party as set out in a Service Agreement between the Company's subsidiary and third party. The subsidiary has terminated the agreement with third party, subsequent to which fixed deposit was transferred to subsidiary's current account and is available for use by the subsidiary.

| | | |
|---|---|---|
| **20 Short term loans and advances** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity * | 155,212.81 | 146,720.32 |
| Receivables under loans assigned | - | 21,690.00 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity * | 311.50 | 116.73 |
| *Unsecured, considered good* | | |
| Loans and advances relating to financing activity * | 51,467.77 | 19,305.53 |
| Receivables under loans assigned | 1,448.94 | 1,642.27 |
| Advances to staff ** | 100.00 | - |
| Advances recoverable in cash or in kind or for value to be received (Refer note no. 41) | 22,099.53 | 2,831.50 |
| Security Deposits | 168.14 | 45.02 |
| *Unsecured, considered doubtful* | | |
| Security Deposits | 18.25 | 18.25 |
| Loans and advances relating to financing activity * | 577.51 | 102.67 |
| Advances recoverable in cash or in kind or for value to be received | 24.72 | 32.84 |
| | **231,429.17** | **192,505.13** |

* Includes current maturities of long term loans and advances and overdue advances.
** Additional Information:

| | | |
|---|---|---|
| Debts due by directors or other officers of the company | 100.00 | - |
| **21 Other Current Assets** | | |
| Interest accrued and due | 129.82 | 750.88 |
| Interest accrued but not due | 9,514.01 | 6,928.91 |
| Unamortised loan origination cost (Refer note no. 36(a)) | 2,760.53 | 1,368.45 |
| Unamortised borrowing costs (Refer note no. 36(b)) | 763.56 | 471.82 |
| Unbilled Subvention Income | 458.32 | 369.65 |
| Others | 14.83 | 30.68 |
| | **13,641.07** | **9,920.39** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| **22 Revenue from operations** | | |
| Interest income | 97,484.59 | 72,839.45 |
| Other financial services | | |
| Fee income | 6,504.99 | 2,167.56 |
| Rental income | - | 108.68 |
| Income from assignment of loans | 325.18 | 2,920.85 |
| Profit on sale of Leased Assets | - | 11.44 |
| Management fees | - | 748.32 |
| Commission and brokerage Income | 985.99 | 1,233.12 |
| | **105,300.75** | **80,029.42** |
| **23 Other Income** | | |
| Profit on sale of current investments (net) | 750.27 | 615.96 |
| Profit on trading in commodities (net) | - | 83.52 |
| Interest on income tax refund | 89.76 | 110.81 |
| Excess provision written back | 0.15 | 0.16 |
| Other non operating income | 110.49 | 23.74 |
| | **950.67** | **834.19** |
| **24 Employee Benefits Expense** | | |
| Salaries and wages | 11,986.45 | 12,470.49 |
| Contribution to provident and other funds | 366.83 | 370.65 |
| Staff Welfare Expense | 325.66 | 236.31 |
| | **12,678.94** | **13,077.45** |
| **25 Finance Costs** | | |
| Interest expense | 62,418.19 | 43,294.28 |
| Other borrowing costs | 2,249.93 | 5,033.32 |
| | **64,668.12** | **48,327.60** |
| **26 Depreciation and Amortisation expense** | | |
| Depreciation on Fixed Assets | 426.95 | 426.20 |
| Depreciation on Investment Property | - | 30.64 |
| Amortisation of intangible assets | 161.80 | 155.44 |
| | **588.75** | **612.28** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| **27 Other expenses** | | |
| Rent | 1,456.90 | 1,411.06 |
| Repairs others | 735.60 | 487.93 |
| Insurance | 41.57 | 51.62 |
| Rates and taxes | 259.71 | 114.89 |
| Auditors Remuneration | | |
| - as auditor | 74.79 | 55.59 |
| - Tax audit fees | 1.00 | 1.00 |
| - for Certification and others | 4.05 | 4.18 |
| - for reimbursement of expenses | 5.17 | 3.48 |
| Business promotion expenses | 234.90 | 260.05 |
| Commission and brokerage | 248.80 | 89.44 |
| Travelling expenses | 745.19 | 587.92 |
| Communication expenses | 683.17 | 610.69 |
| Printing and stationery | 334.81 | 200.49 |
| Recruitment expenses | 105.56 | 160.11 |
| Membership and subscription | 43.17 | 24.27 |
| Advertisement and publicity expenses | 378.64 | 371.53 |
| Electricity charges | 248.55 | 198.15 |
| Amortised loan origination cost | 5,101.55 | 1,964.34 |
| **Provision and Write offs:** | | |
| Provision for doubtful loans and advances | 1,064.82 | 808.73 |
| Provision for standard assets | 268.09 | 270.43 |
| Bad loans and trade receivables written off (net of recovery) | 3,552.96 | 1,100.91 |
| | **4,885.87** | **2,180.07** |
| Loss on sale of fixed asset (including write off) (net) | 111.54 | 321.85 |
| Legal and professional charges | 3,655.80 | 2,272.11 |
| CMS Charges | 579.16 | 727.07 |
| Directors sitting fees | 10.71 | 18.82 |
| Collection expenses | 1,303.71 | 254.00 |
| Remuneration to non whole time directors | | |
| - Commission | 60.00 | 48.00 |
| Preliminary expenses written off | - | 4.85 |
| Miscellaneous expenses | 530.59 | 585.71 |
| | **21,840.51** | **13,009.22** |
| **28 Exceptional items** | | |
| Provision for diminution in value of investments | - | - |
| Profit on sale of subsidiaries (Refer note (i) below) | - | 2,130.95 |
| | **-** | **2,130.95** |

**Note:**

(i) During the year ended March 31, 2013, the Company had sold its stake in Myra Mall Management Company Limited vide Share Purchase Agreement dated July 09, 2012 for a consideration of Rs. 2,236.00 lakhs. The profit of Rs. 2,136.00 lakhs on sale of shares has been reported as exceptional items.

(ii) During the year ended March 31, 2013, the Company has sold its stake in Future Finance Limited vide Share Purchase Agreement dated September 17, 2012 for a net consideration of Rs. 1,520.47 lakhs. The net loss of Rs. 105.05 lakhs after goodwill write off has been reported as exceptional items.

| | | |
|---|---|---|
| **29 Earnings per equity share ('EPS')** | | |
| **Basic EPS** | | |
| Profit for the year after tax expense | 5,262.82 | 6,310.94 |
| Net Profit considered for Basic EPS calculation | 5,262.82 | 6,310.95 |
| Weighted average number of equity shares | 71,151,526 | 66,525,931 |
| Nominal value per equity share (Rs.) | 10.00 | 10.00 |
| **Earning per equity share - Basic (Rs.)** | **7.40** | **9.49** |
| **Diluted EPS** | | |
| Net Profit considered for Diluted EPS calculation | 5,262.82 | 6,310.95 |
| Weighted average number of equity shares | 71,151,526 | 66,525,931 |
| Add: Weighted number of equity shares under options | 153,611 | 331,053 |
| Add: Weighted number of equity shares under Compulsorily Convertible Preference Shares | - | |
| Weighted average number of diluted equity shares | 71,305,137 | 66,856,984 |
| Nominal value per equity share (Rs.) | 10.00 | 10.00 |
| **Earning per equity share - Diluted (Rs.)** | **7.38** | **9.44** |

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

**30 Contingent liabilities**

Contingent Liabilities not provided for in respect of:

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| Guarantees given by Bank on behalf of the Group | - | 975.00 |
| Corporate guarantee given by group to banks | 900.00 | 1,900.00 |
| Liability on account of retail trades | 19.00 | 20.80 |
| Income-tax matters under dispute * | 362.33 | 362.33 |

* Future cash outflows are determinable only on receipt of judgements /decisions pending with various forums/authorities.

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 194.98 | 205.24 |
| Commitments relating to loans sanctioned but undrawn | 12,083.96 | 15,820.48 |

**31 Post-employment benefit plans**

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses.

The following table summarise the components of net benefit expense recognized in the statement of profit and loss and amounts recognized in the balance sheet for the respective plans.

A. Change in Present Value of Obligation

*Rupees in Lakhs*

| Particulars | Gratuity (Unfunded) | | Gratuity (Funded) | |
|---|---|---|---|---|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Present Value of the Obligation as at the beginning of the year | 186.78 | 123.49 | 15.65 | 8.63 |
| Interest Cost | 17.74 | 10.19 | 1.49 | 0.71 |
| Current Service Cost | 94.35 | 111.22 | 0.73 | 7.39 |
| Benefit Paid | (26.76) | (17.12) | (8.79) | (3.11) |
| Actuarial (gain)/ loss on obligations | (67.83) | (41.00) | (6.28) | 2.03 |
| Present Value of the Obligation as at the end of the year | 204.28 | 186.78 | 2.80 | 15.65 |

B. Fair Value of Plan Assets

*Rupees in Lakhs*

| Particulars | Gratuity (Unfunded) | | Gratuity (Funded) | |
|---|---|---|---|---|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Fair Value of the Plan Assets as at the beginning of the year | - | - | 30.62 | 26.69 |
| Expected return on Plan Assets | - | - | 2.17 | 2.34 |
| Difference in accrued interest and actual interest for previous year | - | - | 0.05 | - |
| Contributions | - | - | - | 4.70 |
| Benefits paid | - | - | (7.86) | (3.11) |
| Fair Value of the Plan Assets as at the end of the year | - | - | 24.98 | 30.62 |

C. Actual return on Plan Assets

*Rupees in Lakhs*

| Particulars | Gratuity (Unfunded) | | Gratuity (Funded) | |
|---|---|---|---|---|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Actual return on Plan Assets | - | - | 2.17 | 2.33 |

D. Amount recognised in the Statement of Profit and Loss

*Rupees in Lakhs*

| Particulars | Gratuity (Unfunded) | | Gratuity (Funded) | |
|---|---|---|---|---|
| | For the year ended March 31, 2014 | For the year ended March 31, 2013 | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
| Interest Cost | 17.74 | 10.19 | 1.49 | 0.71 |
| Current Service Cost | 94.35 | 111.22 | 0.73 | 7.39 |
| Expected return on Plan Assets | - | - | (2.17) | (2.34) |
| Actuarial (gain)/ loss on obligations | (67.83) | (41.00) | (6.28) | 2.03 |
| Total expense/ (income) recognised in the Statement of Profit and Loss | 44.26 | 80.41 | (6.23) | 7.79 |

E. Reconciliation of Balance Sheet

*Rupees in Lakhs*

| Particulars | Gratuity (Unfunded) | | Gratuity (Funded) | |
|---|---|---|---|---|
| | Year ended March 31, 2014 | Year ended March 31, 2013 | Year ended March 31, 2014 | Year ended March 31, 2013 |
| Present Value of the Obligation as at the beginning of the year | 186.78 | 123.49 | 15.65 | 8.63 |
| Total expense/ (income) recognised in the Statement of Profit and Loss | 44.27 | 80.41 | (6.23) | 7.79 |
| Benefits paid | (26.76) | (17.12) | (8.79) | (3.11) |
| Expected Return on Plan Assets | - | - | 2.17 | 2.34 |
| Present Value of the Obligation as at the end of the year | 204.28 | 186.78 | 2.80 | 15.65 |
| Fair Value of the Plan Assets as at the end of the year | - | - | 24.98 | 30.62 |
| Over funded obligations (Net) | - | - | 22.18 | 14.98 |

The principal assumptions used in determining obligations for the Group's plans are shown below:

| Assumptions | Gratuity (Unfunded) | | Gratuity (Funded) | |
|---|---|---|---|---|
| | March 31, 2014 | March 31, 2013 | March 31, 2014 | March 31, 2013 |
| Discount rate | 9.50% | 8.25% | 9.50% | 8.25% |
| Increase in compensation cost | 8% | 8% | 8% | 5% |
| Employee turnover | 2% | 2% | 2% | 1% |
| Rate of Return on Plan Assets | NA | NA | 8.68% | 9.05% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other ralevant factors, such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on Balance Sheet date, applicable to the period over which the obligation is to be settled.

There are no material experience adjustments during the year and preceding three years and hence the same have not been disclosed.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

**32 Employee Stock Option Scheme ('ESOS')**

**For the year ended March 31, 2014**

| Particulars of Options | ESOP 2007 | ESOP 2008 | ESOP 2009 | ESOP 2011 | ESOP 2012 |
|---|---|---|---|---|---|
| Outstanding as at the beginning of the year | 344,000 | 597,500 | 350,000 | 1,432,500 | 1,300,000 |
| Granted during the year | - | 200,000 | - | 22,500 | 955,000 |
| Forfeited/ Cancelled during the year | - | 285,000 | - | 76,000 | 205,000 |
| Lapsed during the year | - | - | - | - | - |
| Exercised/ Allotted during the year | - | - | - | - | - |
| Outstanding as at the end of the year | 344,000 | 512,500 | 350,000 | 1,379,000 | 2,050,000 |
| Exercisable at the end of the year | 344,000 | 269,750 | 327,500 | 591,375 | 298,750 |
| Weighted average remaining contractual life (in years) | 10.15 | 10.75 | 10.25 | 10.63 | 11.57 |
| Weighted average fair value of options granted (Rs.) | 146.37 | 88.36 | 141.14 | 74.00 | 87.45 |
| Method of settlement | Equity | Equity | Equity | Equity | Equity |

**For the year ended March 31, 2013**

| Particulars of Options | ESOP 2007 | ESOP 2008 | ESOP 2009 | ESOP 2011 | ESOP 2012 |
|---|---|---|---|---|---|
| Outstanding as at the beginning of the year | 452,000 | 579,500 | 350,000 | 1,197,000 | - |
| Granted during the year | - | 40,000 | 30,000 | 347,500 | 1,315,000 |
| Forfeited/ Cancelled during the year | 100,000 | 20,000 | 30,000 | 69,000 | 15,000 |
| Lapsed during the year | - | - | - | - | - |
| Exercised/ Allotted during the year | 8,000 | 2,000 | - | 43,000 | - |
| Outstanding as at the end of the year | 344,000 | 597,500 | 350,000 | 1,432,500 | 1,300,000 |
| Exercisable at the end of the year | - | 162,100 | 160,000 | 217,000 | - |
| Weighted average remaining contractual life (in years) | 3.44 | 4.51 | 4.40 | 6.68 | 6.19 |
| Weighted average fair value of options granted (Rs.) | 146.37 | 95.53 | 141.14 | 73.71 | 98.38 |
| Method of settlement | Equity | Equity | Equity | Equity | Equity |

**ESOS 2007**

No further options were granted during the year under this scheme. Options under this scheme will vest after the expiry of 3 years from the date of grant. All the options are exercisable within 4 years from the date of vesting or 10 years from the date of grant, whichever is later.

**ESOS 2008**

The Compensation and Nomination Committee at its Meeting held on May 27, 2013 has granted options in respect of 200,000 equity shares to the eligible employees at an exercise price of Rs. 155.70. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting or 10 years from the date of grant, whichever is later.

**ESOS 2009**

No further options were granted during the year under this scheme. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting or 10 years from the date of grant, whichever is later.

**ESOS 2011**

The Compensation and Nomination Committee at its Meeting held on May 27, 2013 has granted options in respect of 22,500 equity shares to the eligible employees at an exercise price of Rs. 155.70. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting or 10 years from the date of grant, whichever is later.

**ESOS 2012**

The Compensation and Nomination Committee at its Meeting held on May 27, 2013 granted options in respect of 915,000 equity shares and the said Committee vide Circular resolution dated October 7, 2013 granted options in respect of 40,000 equity shares to the eligible employees at an exercise price of Rs. 155.70 and Rs. 165.25 respectively. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting or 10 years from the date of grant, whichever is later.

The fair value of the sock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

| Particulars | ESOS 2007/ ESOS 2008/ ESOS 2009/ ESOS 2011/ ESOS 2012 |
|---|---|
| Exercise Price | ESOS 2008- 200,000 stock options with exercise price of Rs. 155.70<br>ESOS 2011- 22,500 stock options with exercise price of Rs. 155.70<br>ESOS 2012- 915,000 stock options with exercise price of Rs. 155.70 and 40,000 stock options with exercise price of Rs. 165.25 |
| Historical Volatility | 44.65% - 53.76% |
| Life of the options granted (Vesting and exercise period) in | Vesting schedule:<br>25% each year from the end of 1, 2, 3 and 4 years of the date of grant respectively<br>Exercise Period:<br>Within 4 years from the date of vesting or 10 years from the date of grant, whichever is later |
| Dividend yield | 0.9% - 1.09% |
| Average risk-free interest rate | 7.18% - 8.70% |

**Details of modification to employee stock option scheme (change in exercise period) :**

a. The shareholders of the Company have approved modification of the exercise period of 3 years from the date of vest for Scheme 2007 and 4 years from the date of vest for other Schemes to 10 years from the date of grant, at the Annual General meeting held on August 22, 2013.

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b. The details of incremental fair value as a result of modification in the exercise period is as follows:

| Scheme Name | Grant Name | Grant Date | Fair value on Date of Grant (Rs.) | Pre Modification Fair value (Rs.) | Post Modification Fair value (Rs.) | Incremental Cost per option (Rs.) |
|---|---|---|---|---|---|---|
| 1. ESOP 2007 | Grant-4 | 27-May-13 | 146.37 | 20.62 | 42.77 | 22.15 |
| 2. ESOP 2008 | Grant-3 | 23-Sep-10 | 136.07 | 22.66 | 42.40 | 19.73 |
| 3. ESOP 2008 | Grant-4 | 03-Jan-11 | 102.83 | 38.79 | 57.79 | 19.00 |
| 4. ESOP 2008 | Grant-5 | 29-Jun-11 | 68.62 | 63.40 | 78.99 | 15.60 |
| 5. ESOP 2008 | Grant-6 | 11-Dec-12 | 98.57 | 56.85 | 75.10 | 18.25 |
| 6. ESOP 2008 | Grant-7 | 27-May-13 | 71.11 | 73.69 | 88.67 | 14.97 |
| 7. ESOP 2009 | Grant-1 | 18-Oct-10 | 147.95 | 24.07 | 44.05 | 19.98 |
| 8. ESOP 2009 | Grant-2 | 03-Jan-11 | 102.83 | 38.79 | 57.79 | 19.01 |
| 9. ESOP 2009 | Grant-3 | 11-Dec-12 | 98.57 | 56.85 | 75.10 | 18.25 |
| 10. ESOP 2011 | Grant-1 | 29-Jun-11 | 68.62 | 63.40 | 78.99 | 15.60 |
| 11. ESOP 2011 | Grant-2 | 26-Dec-11 | 61.88 | 71.87 | 86.44 | 14.56 |
| 12. ESOP 2011 | Grant-3 | 12-Jan-12 | 59.66 | 73.58 | 87.91 | 14.34 |
| 13. ESOP 2011 | Grant-4 | 11-Dec-12 | 98.57 | 56.85 | 75.10 | 18.25 |
| 14. ESOP 2011 | Grant-5 | 27-May-13 | 71.11 | 73.69 | 88.67 | 14.97 |
| 15. ESOP 2012 | Grant-1 | 11-Dec-12 | 98.57 | 56.85 | 75.10 | 18.25 |
| 16. ESOP 2012 | Grant-2 | 06-Feb-13 | 82.51 | 65.59 | 82.34 | 16.74 |
| 17. ESOP 2012 | Grant-3 | 27-May-13 | 71.11 | 73.69 | 88.66 | 14.97 |

c. The fair value of options has been calculated using Black Scholes options pricing formula.

**d. Proforma Accounting**

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| Net Profit after tax as reported | 5,262.82 | 6,310.94 |
| Less: Employee stock compensation cost under fair value method (Refer Note below) | 1,787.74 | 933.52 |
| **Total** | **3,475.08** | **5,377.42** |
| Basic earnings per share as reported (Rs.) | 7.40 | 9.49 |
| Proforma Basic earnings per share (Rs.) | **4.88** | **8.08** |
| Diluted earnings per share as reported (Rs.) | 7.38 | 9.44 |
| Proforma Diluted earnings per share (Rs.) | **4.87** | **8.04** |

Note:
Employee stock compensation cost includes Rs. 551.00 lakhs pertaning to incremental fair value pursuant to change in exercise period which is accounted as follows:
i) where modification occured after the vesting period, the incremental fair value is recognised immediately.
ii) where modification occured during the vesting period, the incremental fair value is recognised over the remeinder of the original vesting period.

**33 Segment Reporting**

**Primary segment information (by business segments):**

Segment Report es per Accounting Standard ('AS') – 17, 'Segment Reporting' for the year ended March 31, 2014:

*Rupees in Lakhs*

| Particulars | Consolidated | | Financing Activities | | Other reconciling items | |
|---|---|---|---|---|---|---|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| **Primary Segment-Business** | | | | | | |
| **Revenue** | | | | | | |
| Income from external operations | 106,251.42 | 80,863.61 | 106,152.22 | 79,977.24 | 99.20 | 886.37 |
| Inter segment revenue | 2,483.86 | 516.16 | 2,228.29 | - | 255.57 | 516.16 |
| **Total** | **108,735.28** | **81,379.77** | **108,380.51** | **79,977.24** | **354.77** | **1,402.53** |
| **Segment result** | **6,546.09** | **8,003.42** | **6,116.76** | **8,249.01** | **429.33** | **(245.59)** |
| Interest on unallocated reconciling items | (70.99) | (35.39) | - | - | (70.99) | (35.39) |
| Income taxes | (580.01) | (990.65) | (474.33) | (901.01) | (105.68) | (89.64) |
| **Net Profit after tax** | **5,895.09** | **6,977.38** | **5,642.43** | **7,348.00** | **252.66** | **(370.62)** |
| Net Profit/(loss) from discontinuing operations (after tax) | (632.27) | (666.42) | - | - | (632.27) | (666.42) |
| **Other Information** | | | | | | |
| Segment assets | 996,059.03 | 743,819.37 | 990,539.06 | 741,079.61 | 5,519.97 | 2,739.76 |
| Other unallocated assets | 9,096.00 | 4,205.77 | 8,748.78 | 3,872.34 | 347.22 | 333.43 |
| Assets relating to discontinuing operations | 8,038.49 | 5,507.50 | - | - | 8,038.49 | 5,507.50 |
| **Total Assets** | **1,013,193.52** | **753,532.64** | **999,287.84** | **744,951.95** | **13,905.68** | **8,580.69** |
| Segment liabilities | 888,557.70 | 656,075.68 | 888,425.39 | 652,054.86 | 132.31 | 4,020.82 |
| Other unallocated liabilities | - | - | - | - | - | - |
| Liabilities relating to discontinuing operations | 7,450.59 | 1,385.70 | - | - | 7,450.59 | 1,385.70 |
| **Total Liabilities** | **896,008.29** | **657,461.38** | **888,425.39** | **652,054.86** | **7,582.90** | **5,406.52** |
| Capital Expenditure * | 492.71 | 1,457.76 | 485.12 | 1,427.79 | 7.59 | 29.97 |
| Depreciation/ amortisation | 588.75 | 612.28 | 569.21 | 563.23 | 19.54 | 49.05 |
| Other non-cash expenses | 4,997.41 | 2,501.92 | 5,393.70 | 1,483.08 | (396.29) | 1,018.84 |

* including for discontinued operations Rs. 7.59 lakhs

**Geographical Segments:**

The Company operetes solely in one Geogrephic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.

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**34 Related Party Disclosures**

Names of related parties where control exists irrespective of whether transactions have occurred or not:

| Relationship | Name of the Party |
|---|---|
| Holding Company | Cloverdell Investment Ltd. (w.e.f. November 2, 2012)<br>Future Retail Limited (earlier known as Pantaloon Retail (India) Limited) (upto September 28, 2012) |

Names of other related parties with whom transactions have taken place during the year:

| Relationship | Name of the Party |
|---|---|
| Fellow subsidiaries | Dayside Investment Ltd (w.e.f. November 2, 2012)<br>Future E-Commerce Infrastructure Limited (upto September 28, 2012)<br>Future Value Retail Limited (upto September 28, 2012) |
| Key Management Personnel | Mr. V. Vaidyanathan - Chairman and Managing Director |
| Enterprises significantly influenced by key management | JV & Associates LLP |

Refer Annexure 1 and 1A for the transactions with related parties for the year ended March 31, 2014.

**35 Operating Leases**

The Group's significant leasing arrangements in respect of operating leases are for premises (residential and office) and vehicle which are renewable on mutual consent at agreed terms. Certain agreements provide for cancellation by either party or certain agreements contains clause for escalation and renewal of agreements. The non-cancellable operating lease agreements are ranging for a period 36 to 60 months. There are no sub leases.

The aggregate lease rentals payable are charged to the statement of profit and loss.

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| Lease payments recognized in the Statement of Profit and Loss | 1,456.90 | 1,411.06 |

Details of non-cancellable leases are as follows:

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| **Minimum Lease Payments:** | | |
| Not later than one year | 789.97 | 693.41 |
| Later than one year but not later than five years | 1,120.37 | 1,782.83 |
| Later than five years | Nil | Nil |

**Finance Leases**

In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables is as under.

*Rupees in Lakhs*

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| Gross investment in lease | 5.50 | 215.64 |
| Less: Unearned finance Income | 0.25 | 8.04 |
| MLP Receivables | 5.25 | 207.60 |

Maturity Pattern of the Gross Investments in lease/ Present Value of MLP Receivables:

| Particulars | As at March 31, 2014 | As at March 31, 2013 |
|---|---|---|
| Gross investment for each of the following years: | | |
| - Not later than one year | 5.50 | 205.53 |
| - Later than one year and not later than five years | - | 10.11 |
| | **5.50** | **215.64** |
| Present value of minimum lease payment for each of the following years: | | |
| - Not later than one year | 5.25 | 198.24 |
| - Later then one year and not later than five years | - | 9.35 |
| | **5.25** | **207.59** |
| Un matured finance charges | Nil | Nil |
| Un guaranteed residual value accruing to the benefit of lessor | Nil | Nil |
| Accumulated provision for minimum lease payment receivable | Nil | Nil |

**36 Deferment of loan origination cost, borrowing cost, processing fees and subvention income**

a. Loan origination cost

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| Total loan origination cost deferred | 6,837.04 | 4,663.56 |
| Cost amortised and charged to statement of profit and loss during the year | 5,101.55 | 1,964.34 |
| Unamortised cost shown into balance sheet : | | |
| Current | 2,760.53 | 1,368.45 |
| Non-current | 3,813.23 | 3,469.82 |

b. Borrowing cost

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| Total borrowing cost deferred | 1,771.43 | 2,172.03 |
| Cost amortised and charged to statement of profit and loss during the year | 795.65 | 294.47 |
| Unamortised borrowing cost shown into balance sheet : | | |
| Current | 763.55 | 471.82 |
| Non-current | 2,089.78 | 1,405.73 |

c. Processing fees and subvention income

*Rupees in Lakhs*

| Particulars | For the year ended March 31, 2014 | For the year ended March 31, 2013 |
|---|---|---|
| Total unamortised income from processing fees/ subvention income deferred | 12,348.36 | 7,423.54 |
| Income amortised and credited to Statement of Profit and Loss during the year | | |
| - Fee income | 4,295.84 | 1,512.03 |
| - Interest income | 4,753.91 | 1,876.01 |
| Unamortised processing fees/ subvention income shown into balance sheet: | | |
| Current | 5,193.95 | 2,836.39 |
| Non-current | 3,836.26 | 2,893.21 |

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37 During the year, the Board of Directors vide Circular Resolution dated March 28, 2014 allotted 11,607,145 equity shares of the Company of Rs.10/- each, at the premium of Rs. 143.60/- each on preferential basis. The said funds aggregating to Rs. 17,851.79 lakhs received pursuant to the aforesaid allotment have been unutilised as on March 31, 2014. The aforesaid allotment is subject to the lock-in requirements as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, with regard to the Preferential Issue.

38 As per the Guidance Note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, the Company has adjusted the Share Capital by Rs. 60.97 lakhs (Previous year: Rs. 60.97 lakhs) and Securities Premium by Rs. 1,429.38 lakhs (Previous year: Rs. 1,457.38 lakhs) in respect of 609,713 (Previous year: 609,713) shares held by the trusts. The current year amount is after adjusting the repayment received from the trust.

39 Share application money pending allotment represents money received from employees persuent to exercise of stock options. The shares were allotted subsequent to the balance sheet date.

40 An amount of Rs. 1,732.72 lakhs relates to tax credit of Assessment Year 2011-12 in respect of bad debts written off allowed as a deduction on completion of assessment.

41 One of the Subsidiary of the Company has exposure to National Spot Exchange Limited (NSEL) of Rs. 7,365.20 lakhs with respect to trade relationship of its clients with NSEL. Based on the contracts with its clients and legal opinion obtained by the Company, the subsidiary being a broker would not incur any liability to its clients, consequent to the payment crisis at NSEL. The subsidiary would recognize its brokerage income on receipt basis, on the amount received from NSEL on behalf of its clients.

42 The Board of Directors at its meeting held on November 13, 2013 decided to discontinue its broking business carried on through its subsidiaries viz. Capital First Securities Limited (CFSL) & Capital First Commodities Limited (CFCL) (subsidiary of CFSL). In view of the foregoing, the accompanying financial statements have been prepared on the basis that the Company does not continue as a going concern and consequently, assets are measured at net realizable value and liabilities are measured at the cost to settle, as determined by the management. These expected realizable values and expected settlement values of assets and liabilities are subject to change on actual realization/settlement.
The carrying amount of Assets and Liabilities as at March 31, and Income and Expenditure for the year ended March 31, pertaining to discontinued operations are :

*Rupees in Lakhs*

| PARTICULARS | For the year ended March 31, 2014 | | For the year ended March 31, 2013 | |
|---|---|---|---|---|
| | Continuing operations | Discontinuing operations | Continuing operations | Discontinuing operations |
| Total income | 106,251.42 | 800.46 | 82,994.56 | 1,099.59 |
| Operating Expenses | 99,776.32 | 1,358.44 | 75,026.55 | 1,731.07 |
| **Profit/ (Loss) from operating activities** | **6,475.10** | **(557.98)** | **7,968.01** | **(631.48)** |
| Interest expense | - | 14.37 | - | 14.76 |
| **Profit/ (Loss) before tax** | **6,475.10** | **(572.35)** | **7,968.01** | **(646.24)** |
| Tax | 580.01 | 59.92 | 990.65 | 20.18 |
| **Profit/ (Loss) after tax** | **5,895.09** | **(632.27)** | **6,977.36** | **(666.42)** |

| PARTICULARS | As at March 31, 2014 | | As at March 31, 2013 | |
|---|---|---|---|---|
| | Continuing operations | Discontinuing operations | Continuing operations | Discontinuing operations |
| Total Assets | 1,005,155.03 | 8,038.49 | 748,025.14 | 5,507.50 |
| Total Liabilities | 888,557.70 | 7,450.59 | 656,075.68 | 1,385.70 |

43 The Company has received dividend of Rs. 2,050.42 lakhs from its wholly owned foreign subsidiary on which income tax of Rs. 348.47 lakhs has been paid by the Company. As per the provision of the Income Tax Act, 1961, this tax paid is eligible for set off against the tax on dividend proposed by the Company aggregating to Rs. 281.12 lakhs. Hence there is no dividand tax liability on the Company relating to dividend proposed.

44 Figures for previous year have been regrouped and/or reclassified wherever considered necessary, to conform to current year's classification.

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registretion No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

Place: Mumbai
Date : May 08, 2014

**For and on behalf of the Board of Directors of Capital First Limited**

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date : May 08, 2014

Capital First Limited Mumbai

CAPITAL FIRST LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

**Annexure 1**

**Transactions with Related parties for the year ended March 31, 2014**

*Rupees in Lakhs*

| Relationship | Holding Company | | Subsidiaries | | Fellow Subsidiaries | | Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|
| Year | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| Purchase of goods/services | - | - | - | - | - | 14.53 | - | - |
| Rent/ Lease rent paid | - | 23.06 | - | - | - | 8.06 | - | - |
| Subvention Income Received | - | 52.45 | - | - | - | 23.76 | - | - |
| Allotment of Equity Shares | 12,853.29 | - | - | - | - | - | - | - |
| Managerial Remuneration | - | - | - | - | - | - | 412.05 | 386.03 |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

CAPITAL FIRST LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

**Annexure 1A**
**Transactions with Related parties for the year ended March 31, 2014**

*Rupees in Lakhs*

| Particulars | For the year ened March 31, 2014 | For the year ened March 31, 2013 |
|---|---|---|
| **Purchase of Goods / Services** | | |
| Future E- Commerce Infrastructure Limited | - | 14.53 |
| **Total** | - | 14.53 |
| **Rent/ Lease rent paid** | | |
| Future Retail Limited (earlier known as Pantaloon Retail (India) Limited) | - | 23.06 |
| Future Value Retail Limited | - | 8.06 |
| **Total** | - | 31.12 |
| **Subvention Income Received** | | |
| Future Retail Limited (earlier known as Pantaloon Retail (India) Limited) | - | 52.45 |
| Future Value Retail Limited | - | 23.76 |
| **Total** | - | 76.21 |
| **Allotment of Equity Sharss** | | |
| Cloverdell Investment Ltd | 12,853.29 | - |
| **Managerial Remuneration** | | |
| Mr. V. Vaidyanathan | 412.05 | 386.03 |

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Capital First Limited Mumbai

CAPITAL FIRST LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

**Information on the financials of the subsidiary companies for the year ended March 31, 2014**
[Prepared in compliance with the requirements of the exemption letter(s) of the Ministry of Corporate Affairs, Government of India]

*Rupees in Lakhs*

| Name of the Subsidiary Company | Capital First Investment Advisory Limited | Capital First Commodities Limited | Capital First Home Finance Private Limited | Capital First Securities Limited | Anchor Trading & Investment Private Limited |
|---|---|---|---|---|---|
| The financial year of subsidiary ended on | March 31, 2014 | March 31, 2014 | March 31, 2014 | March 31, 2014 | March 31, 2014 |
| Capital | 600.59 | 2,832.50 | 3,627.50 | 6,735.56 | 7.75 |
| Reserves | 3,040.11 | 100.39 | 292.51 | (3,525.03) | 34.49 |
| Total assets | 3,745.60 | 10,314.20 | 8,325.75 | 3,396.64 | 2,121.58 |
| Total liabilities | 104.90 | 7,381.31 | 4,405.74 | 186.11 | 2,079.34 |
| Investments (except in case of investment in subsidiaries) | 110.71 | - | - | 2,828.00 | - |
| Turnover | 352.46 | 427.33 | 409.29 | 823.43 | 2.30 |
| Profit/ (Loss) before tax | 370.85 | 142.50 | 256.14 | (608.90) | 243.07 |
| Provision for tax | 111.14 | 59.92 | 84.08 | - | (5.45) |
| Profit/ (Loss) after tax | 259.71 | 82.58 | 172.06 | (608.90) | 248.52 |
| Proposed dividend | - | - | - | - | 2,050.42 |

Notes:

1. Ministry of Corporate Affairs (MCA) has vide its letter No. 47/91/2011-CL-III dated February 8, 2011, read with General Circular No. 2/2011 dated February 8, 2011 and General Circular No. 3/2011 dated February 21, 2011, has exempted the Company from attaching to its Balance Sheet, certain information in respect of its subsidiaries specified in Section 212(1) of the Companies Act, 1956.

2. The annual accounts of the subsidiary companies are available for inspection at the Registered Office of the Company

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

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**S.R. BATLIBOI & CO. LLP**
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax : +91 22 6192 1000

## Independent Auditor's Report

**To the Board of Directors of**
**Capital First Limited (Formerly known as Future Capital Holdings Limited)**

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Capital First Limited (Formerly known as Future Capital Holdings Limited) ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

S.R. BATLIBOI & CO. LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

**Opinion**

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

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**Other Matter**

We did not audit the financial statement of one subsidiary, prepared under the generally accepted accounting principles in India, whose financial statement reflects total assets of Rupees 2500.01 lakhs as at March 31, 2013, total revenues of Rupees 680.09 lakhs and net cash inflows amounting to Rupees 17.81 lakhs for the year then ended, as accounted in the consolidated financial statements of the Company, on the basis of unaudited financial statement as certified and furnished to us by the management and our opinion is based solely on this management certified financial statement.

S R Batliboi & Co. LLP

**For S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration No. 301003E

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

Place: Mumbai
Date: May 27, 2013

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**CAPITAL FIRST LIMITED**
(Formerly known as Future Capital Holdings Limited)

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013**

*Rs. in Lakhs*

| Particulars | Note no. | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 3 | 7,041.46 | 6,449.85 |
| Reserves and Surplus | 4 | 89,029.80 | 76,707.34 |
| | | **96,071.26** | **83,157.19** |
| **Non - Current Liabilities** | | | |
| Long term borrowings | 5 | 442,152.57 | 272,033.61 |
| Other Long term liabilities | 6 | 2,917.50 | 1,336.85 |
| Long term provisions | 7 | 8,061.21 | 9,409.98 |
| | | **453,131.28** | **282,780.44** |
| **Current Liabilities** | | | |
| Short term borrowings | 8 | 107,029.05 | 115,223.51 |
| Trade payables | 9 | 5,517.63 | 4,210.93 |
| Other current liabilities | 10 | 86,471.23 | 79,487.29 |
| Short term provisions | 11 | 5,773.17 | 4,290.85 |
| | | **204,791.08** | **203,212.58** |
| **TOTAL** | | **753,993.62** | **569,150.21** |
| **ASSETS** | | | |
| **Non - Current Assets** | | | |
| Fixed Assets | | | |
| - Tangible assets | 12 | 2,561.83 | 2,471.55 |
| - Intangible assets | 12 | 700.46 | 383.20 |
| - Capital work in process | | - | 201.01 |
| - Intangible assets under development | | - | 140.38 |
| - Goodwill on Consolidation | | 644.88 | 798.66 |
| | | **3,907.17** | **3,994.80** |
| Non - current investments | 13 | 7,634.38 | 27,546.54 |
| Deferred tax assets (Net) | 14 | 867.43 | 691.93 |
| Long term loans and advances | 15 | 396,348.88 | 271,507.06 |
| Other non current assets | 16 | 21,544.56 | 16,469.83 |
| | | **430,302.42** | **320,210.16** |
| **Current Assets** | | | |
| Current Investments | 17 | 6,857.14 | 5,765.30 |
| Trade receivables | 18 | 3,898.86 | 1,463.63 |
| Cash and Bank Balances | 19 | 122,060.30 | 50,919.67 |
| Short term loans and advances | 20 | 180,954.52 | 184,928.94 |
| Other current assets | 21 | 9,920.38 | 5,862.51 |
| | | **323,691.20** | **248,940.05** |
| **TOTAL** | | **753,993.62** | **569,150.21** |

Summary of significant accounting policies 2.1
The accompanying notes are an integral part of the Financial Statements

As per our report of even date
S R Batliboi & Co LLP

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

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

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**For and on behalf of the Board of Directors of**
**Capital First Limited**
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

CAPITAL FIRST LIMITED

Place: Mumbai
Date : May 27, 2013

Place: Mumbai
Date : May 27, 2013

**CAPITAL FIRST LIMITED**
(Formerly known as Future Capital Holdings Limited)

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013**

*Rs. in Lakhs*

| Particulars | Note no. | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|---|
| Revenue from Operations | 22 | 81,479.34 | 74,014.62 |
| Other Income | 23 | 482.58 | 359.83 |
| **Total revenue** | | **81,961.92** | **74,374.45** |
| **Expenses** | | | |
| Employee benefits expense | 24 | 13,936.00 | 8,684.15 |
| Finance costs | 25 | 48,342.36 | 39,769.75 |
| Depreciation and Amortisation expense | 26 | 699.81 | 548.62 |
| Other expenses | 27 | 13,792.93 | 10,212.56 |
| **Total Expenses** | | **76,771.10** | **59,215.08** |
| **Profit before exceptional items and tax** | | **5,190.82** | **15,159.37** |
| Exceptional Items | 28 | 2,130.95 | - |
| **Profit before tax** | | **7,321.77** | **15,159.37** |
| **Tax expense:** | | | |
| - Current tax [Includes tax of earlier years Rs. 10.66 lakhs (Previous Year: Rs. Nil)] | | 1,844.70 | 4,663.50 |
| - Minimum Alternative Tax (MAT) Credit entitlement | | (658.37) | - |
| - Deferred tax credit (Refer note no. 40) | | (175.50) | (87.20) |
| | | **1,010.83** | **4,576.30** |
| **Profit for the year** | | **6,310.94** | **10,583.07** |
| **Earning per equity share:** | 29 | | |
| - Basic (Rs.) | | 9.49 | 16.33 |
| - Diluted (Rs.) | | 9.44 | 16.33 |

Summary of significant accounting policies 2.1
The accompanying notes are an integral part of the Financial Statements

As per our report of even date
S R Batliboi & Co. LLP

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

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

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**For and on behalf of the Board of Directors of**
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**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date : May 27, 2013

Place: Mumbai
Date : May 27, 2013

CAPITAL FIRST LIMITED

**CAPITAL FIRST LIMITED**
(Formerly known as Future Capital Holdings Limited)

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013**

*Rs. in Lakhs*

| | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| **Cash Flow From Operating Activities** | | |
| Profit before tax | **7,321.77** | **15,159.37** |
| Adjustments for : | | |
| Depreciation/ amortisation | 699.81 | 548.62 |
| Preliminary expenses written off | 4.85 | 1.62 |
| Bad loans and trade receivables written off | 1,100.81 | 707.03 |
| Provision for doubtful loans and advances | 833.77 | 105.26 |
| Provision for diminution in value of investments | - | 950.00 |
| Provision for standard assets | 266.78 | 490.51 |
| Goodwill written off | 153.79 | 68.57 |
| Loss on sale of fixed assets | 321.85 | 54.85 |
| Provision for employee benefits | 119.21 | 145.99 |
| Fixed Assets written off | 11.59 | 6.03 |
| Profit on sale of subsidiaries | (2,130.95) | - |
| Excess provision written back | (36.94) | - |
| | 1,344.57 | 3,078.48 |
| **Operating Profit Before Working Capital Changes** | **8,666.34** | **18,237.85** |
| Adjustment for changes in working capital: | | |
| Increase in Trade Receivables | (2,435.23) | (3,977.94) |
| Increase in Other Assets | (13,706.84) | (23,016.20) |
| Increase in Loans and Advances | (120,469.24) | (160,828.33) |
| Increase in Trade payables and other liabilities | 8,465.03 | 44,987.49 |
| Cash used in operations | (119,479.94) | (124,597.13) |
| Direct taxes paid (net of refund) | (2,787.02) | (4,841.45) |
| **Net Cash used in Operating Activities** | **(122,266.96)** | **(129,438.58)** |
| **Cash Flow From Investing Activities** | | |
| Purchase of Fixed Assets including intangible assets | (1,041.00) | (2,241.69) |
| Sale proceeds from fixed assets | 46.70 | 48.56 |
| Sale proceeds from investments | 28,904.44 | 25,226.50 |
| Purchase of investments | (7,922.53) | (26,603.07) |
| **Net Cash generated from/ (used in) Investing Activities** | **19,987.61** | **(3,569.70)** |
| **Cash Flow from Financing Activities** | | |
| Proceeds from issue of Equity Share Capital | 313.94 | - |
| Proceeds from issue of Compulsorily convertible Preference Shares | 308.64 | - |
| Proceeds from Securities Premium on issue of Equity Share Capital | 4,760.14 | - |
| Proceeds from Securities Premium on issue of Compulsorily convertible Preference Shares | 4,691.36 | - |
| Debenture issue expenses | (2,015.44) | - |
| Payment of dividend | (971.98) | (971.75) |
| Payment of dividend tax | (157.68) | (157.64) |
| Refund of share application money | (2.88) | - |
| Proceeds from borrowings | 222,527.46 | 202,223.87 |
| Repayment of borrowings | (60,602.97) | (52,069.98) |
| **Net Cash generated from Financing Activities** | **168,850.59** | **149,024.50** |
| **Net increase in Cash and Cash Equivalents during the year** | **66,571.24** | **16,016.22** |
| Cash and Cash equivalents at beginning of the year | 50,559.67 | 34,543.45 |
| **Cash and Cash equivalents at the end of the year** | **117,130.91** | **50,559.67** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

**CAPITAL FIRST LIMITED**
*(Formerly known as Future Capital Holdings Limited)*

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013**

**Rs. in Lakhs**

| | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **Cash and Cash equivalents comprises of :** | | |
| Cash in Hand | 1,604.45 | 1,030.62 |
| Balance with Banks | | - |
| - in unpaid dividend accounts (Refer note 3 below) | 8.83 | 5.98 |
| - in unpaid share application money (Refer note 3 below) | 20.24 | 23.12 |
| - in current account | 95,497.39 | 49,499.95 |
| - in deposit accounts having original maturity less than three months | 20,000.00 | - |
| **Total** | **117,130.91** | **50,559.67** |

**Notes:**

1 The above Cash Flow Statement has been prepared under the "Indirect Method " as set out in Accounting Standard (AS) - 3 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.

2 Cash and cash equivalents in the balance sheet comprises of Cash in hand and Cash at bank.

3 The balances are not available for use by the Company as they represent corresponding unpaid dividend liability and unpaid share application money.

As per our report of even date
For S.R. Batliboi & Co. LLP

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

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

Place: Mumbai
Date : May 27, 2013

**For and on behalf of the Board of Directors of**
**Capital First Limited**
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date : May 27, 2013

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The Consolidated Financial Statements comprise of the Financial Statements of Capital First Limited (Formerly known as Future Capital Holdings Limited) (the 'Company' or 'CFL') and its subsidiaries (hereinafter collectively referred to as the 'Group').

The financial statements have been prepared to comply in all material respects with the notified Accounting Standard ('AS') by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 (the 'Act') and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards (AS) are followed by the Company insofar as they are not inconsistent with the NBFC Regulation. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the change in Accounting Policy explained in Note no 2.1(a).

### b) Principles of consolidation

i. The Consolidated Financial Statements are prepared in accordance with AS - 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI). The financial statements of these group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of Inter Company transactions are eliminated on consolidation.

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible unless otherwise stated, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

ii. The subsidiary companies considered in the presentation of the consolidated financial statements are:

| Particulars | Country of incorporation | Proportion of ownership interest as at March 31, 2013 | Proportion of ownership interest as at March 31, 2012 | Financial year ends on |
|---|---|---|---|---|
| **a) Subsidiaries :** | | | | |
| Capital First Investment Advisory Limited *(formerly known as Kshitij Investment Advisory Company Limited)* | India | 100% | 100% | March 31 |
| Future Capital Investment Advisors Limited @ | India | NA | 100% | March 31 |
| Myra Mall Management Company Limited ## | India | NA | 100% | March 31 |
| FCH Securities and Investment Limited @ | India | NA | 100% | March 31 |
| Future Finance Limited ## | India | NA | 100% | March 31 |

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

| | | | | |
|---|---|---|---|---|
| Capital First Commodities Limited *(formerly known as Future Capital Commodities Limited)* | India | 100% | 100% | March 31 |
| Anchor Trading and Investments Private Limited | Mauritius | 100% | 100% | December 31 |
| Capital First Home Finance Private Limited *(formerly known as Future Capital Home Finance Private Limited)* | India | 100% | 100% | March 31 |
| Capital First Securities Limited *(formerly known as Future Capital Securities Limited)* | India | 100% | 100% | March 31 |

For the purpose of consolidated financial statements, the results of CFL and its subsidiaries for the year ended March 31, 2013 have been derived from the respective Company's audited financials of the year ended March 31, 2013, except for financial statements of Anchor Trading and Investments Private Limited which has been certified by management.

## Subsidiaries sold during the current year

@ Merged with Capital First Investment Advisory Limited *(formerly known as Kshitij Investment Advisory Company Limited)* vide Scheme of Arrangement and Amalgamation between FCH Securities and Advisors Limited ('FCHSAL'), Future Capital Investment Advisors Limited ('FCIAL') and Kshitij Investment Advisory Company Limited ('KIACL') and their respective shareholders (Scheme), approved by Court order dated April 13, 2012 but operative with retrospective effect from April 1, 2011, the appointed date.

## 2. Goodwill on consolidation

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the consolidated financial statements as goodwill/ capital reserve. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment

The Goodwill on consolidation is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired

### 2.1 a) Change in Accounting Policy

1. During the year ended March 31, 2013, the Company has changed its accounting policy related to provisioning for non-performing gold loans and consumer durable loans. Consequent to the change in accounting policy, provision & write off for the year ended March 31, 2013 is lower by Rs. 1,856.45 lakhs in respect of gold loans and higher by Rs. 129.96 lakhs in respect of consumer durable loans. As a result net provisions and write off for the year ended March 31, 2013 is lower by Rs.1,726.49 lakhs. The current provision based on the revised accounting policy meets the minimum provisioning norms as stipulated by RBI.

2. During the year ended March 31, 2013, the Company has changed its accounting policy related to fee income on wholesale loans and ancillary borrowing cost. As per the new policy the Company will amortise the fee income on wholesale loans over the tenure of loan and ancillary borrowing cost over the tenure of borrowings. Consequent to the change in accounting policy, the profits for the year ended March 31, 2013 is higher by Rs. 605.12 lakhs.

3. During the year ended March 31, 2013, the Company adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. Accordingly, the income from assignment transactions during the year ended March 31, 2013, is lower by Rs. 1,284.87 lakhs on account of change in the method of deferral of recognition of income, prescribed in the revised guidelines issued by the RBI.

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**b) Current/ Non Current classification of assets and liabilities**

As required by Revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

**c) Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

**d) Tangible Fixed assets**

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**e) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**f) Depreciation on Tangible asset / Amortisation of Intangible asset**

Depreciation on tangible assets is provided using straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are depreciated on straight line basis over shorter of useful lives or primary period of lease agreements which ranges from three to five years.

Intangible assets includes domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years.
All fixed assets costing Rs 5,000 or less individually are fully depreciated / amortised in the year of purchase.

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**g) Loans**

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

**h) Leases**

**Operating Lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight line basis over the tenure of the lease.

**Finance Lease**

***Where the Company is the lessor***
Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the Internal Rate of Return ('IRR') method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

**i) Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized 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 at the pre tax discount rate reflecting current market assessment of time value of money and risks specific to 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.

**j) Investments**

Investments that are readily realisable and 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. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value.

**k) Investment Property**

An investment in land or buildings, which is not intended to be occupied substantially for use, or in the operations of, the Company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any.

The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the investment property to its working condition for the intended use.

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Depreciation on building component of investment property is calculated on straight line basis at the rates prescribed under the Schedule VI of the Companies Act, 1956.

On disposal of an investment, the difference between its carrying cost amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**l) Commercial Papers**

Commercial paper is recognised at redemption value net of unamortized finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

**m) Foreign currency transactions**

(i) *Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**n) Revenue recognition**

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

**Interest income**
Interest income from loans is accounted for by applying interest rate implicit in the contract.

In case of non performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

**Income on discounted instruments**
Income on discounted instruments is recognised over the tenor of the instrument on straight line basis.

**Fee income**
Fee income on loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed / transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure / transfer through assignment.

**Commission and brokerage income**
Commission and brokerage income earned for the services rendered are recognised as and when they are due.

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**Income from distribution of products**
Income from distribution on various products is accounted on the basis of procurements undertaken during the period with a reasonable estimate towards the trail fees

**Income from Assignment of loans and receivables**
In case of assignment of loans the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration to be received as reduced by the estimated provision for loss/ expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

The Company adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. As per the new policy, the income from assignment of loans and receivables will be amortised over the tenure of loans.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

**Dividend income**
Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

**Lease Rental and Amenities**
Lease rentals are recognized as an income in the statement of profit and loss on a straight line basis over the primary lease period, net of service tax.

Amenities charges are recognized in accordance with the arrangements entered into with the lessees, net of service tax.

**Profit/ Loss on sale of investments**
Profit/loss earned on sale of investments is recognised on trade date basis. Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**o) Debenture issue expenses**

Debenture issue expenses are debited against securities premium account in accordance with the provisions of Section 78 of the Companies Act, 1956.

**p) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

**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

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

In case of funded liability the Group makes contribution to a scheme administered by the Life Insurance Corporation of India ("LIC") and Future Generali India Life Insurance Company Limited to discharge the gratuity liability to employees. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method

**q) Leave Encashment**

Earned leave during the financial year and remaining unutilized will be encashed at the yearend based on basic salary. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

**r) Borrowing costs**

Borrowing costs consists of interest and other ancillary cost that an entity incurs in connection with borrowing of funds. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the tenor of borrowings.

**s) Loan origination cost**

Loan origination costs such as credit verification, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the contractual tenor of the loan agreements. Full month's amortization is done in the month of booking of loan. For the agreements foreclosed or transferred through assignment, the unamortised portion of the loan acquisition costs is recognised as charge to the Statement of Profit and Loss at the time of such foreclosure/ transfer through assignment.

**t) Income taxes**

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the 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 income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of 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 realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961*, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**u) 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 Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

The Company accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming non performing, its recognition as such and realization of available security.

The provision on non performing loans created by the Company is higher than as prescribed by the NBFC Regulation.

Provisions and write off are made against overdue retail loans as under:

| **Particulars** | **2012- 13** |
|---|---|
| ***All Retail loans other than loan against property, Consumer Durables and Loan against Gold*** | |
| 90 days overdue | 10% provision |
| 120 days overdue | 33% provision cumulative |
| 150 days overdue | 66% provision cumulative |
| 180 days overdue | 100% write off |
| Loss Assets | 100% write off |
| | |
| ***Consumer Durables*** | |
| 90 days overdue | 50% provision |
| 120 days overdue | 100% write off |
| Loss Assets | 100% write off |
| | |
| ***Loan against Gold*** | |
| 180 days overdue | 10% provision |
| 210 days overdue | 25% provision |
| 240 days overdue | 50% provision |

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| | |
|---|---|
| 270 days overdue | 75% provision |
| 360 days overdue | 100% write off |
| Loss Assets | 100% write off |
| | |
| ***Loans against Property*** | |
| 90 days overdue | 10% provision |
| 180 days overdue | 33% provision cumulative |
| 360 days overdue | 66% provision cumulative |
| 720 days overdue | 100% write off |
| Loss Assets | 100% write off |

*Provision on other than Retail loans*
Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

**v) Employee Stock Option Scheme ('ESOS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of the Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

**w) Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**x) Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**y) Contingent liabilities**

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

**z) Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank including fixed deposit with original maturity period of three months and short term highly liquid investments with an original maturity of three months or less.

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*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **3 Share Capital:** | | |
| **Authorized:** | | |
| 103,000,000 (Previous Year: 113,000,000) Equity shares of Rs. 10/- each | 10,300.00 | 11,300.00 |
| 10,000,000 (Previous Year: Nil) Compulsorily Convertible Preference shares ('CCPS') of Rs. 10/- each | 1,000.00 | - |
| | **11,300.00** | **11,300.00** |
| **Issued, subscribed and fully paid up:** | | |
| 71,024,324 (Previous Year: 64,798,484) Equity shares of Rs. 10/- each | 7,102.43 | 6,479.85 |
| Less: 609,713 (Previous Year. 300,000) Equity shares issued to Employee Welfare Trusts but not alloted to Employees (Refer note no. 43) | (60.97) | (30.00) |
| | **7,041.46** | **6,449.85** |

a. **Reclassification of authorised share capital**
During the year, pursuant to the approval of the shareholders sought through Postal Ballot results of which were announced on 5th July, 2012, the authorized share capital of the Company has been re-classified into 103,000,000 equity shares of Rs. 10/- each and 10,000,000 Compulsorily Convertible Preference Sheres of Rs. 10/- each, aggregating to Rs. 11,300.00 lakhs.

b. Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the reporting year:

| | As at March 31, 2013 | | As at March 31, 2012 | |
|---|---|---|---|---|
| | Number | Rs. in Lakhs | Number | Rs. in Lakhs |
| At the beginning of the year | 64,798,484 | 6,479.85 | 64,783,484 | 6,478.35 |
| Issued during the year- Employees Stock Option Scheme | 53,000 | 5.30 | 15,000 | 1.50 |
| Issued during the year (Refer note no. 39) | 3,086,420 | 308.64 | - | - |
| Conversion of Compulsory Convertible Preference Shares into Equity Shares (Refer note no. 39) | 3,086,420 | 308.64 | - | - |
| **At the close of the reporting year** | **71,024,324** | **7,102.43** | **64,798,484** | **6,479.85** |

c. Reconciliation of number of CCPS and amount outstanding at the beginning and at the end of the reporting year:

| | As at March 31, 2013 | | As at March 31, 2012 | |
|---|---|---|---|---|
| | Number | Rs. in Lakhs | Number | Rs. in Lakhs |
| At the beginning of the year | - | - | - | - |
| Issued during the year (Refer note no. 39) | 3,086,420 | 308.64 | - | - |
| Conversion into Equity Shares (Refer note no. 39) | (3,086,420) | (308.64) | - | - |
| **At the close of the reporting year** | - | - | - | - |

d. Terms / Rights attached to Equity Shares:
The Company has only one class of equity shares having a par value of Rs. 10 per shere. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of 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 number of equity shares held by the shareholders.

e. Shares held by the holding company and the subsidiary of the ultimate holding company.

| | As at March 31, 2013 | | As at March 31, 2012 | |
|---|---|---|---|---|
| | Number | Rs. in Lakhs | Number | Rs. in Lakhs |
| Equity shares of Rs. 10/- each | | | | |
| Cloverdell Investment Ltd | 49,880,500 | 4,988.05 | - | - |
| Dayside Investment Ltd | 243,761 | 24.38 | - | - |
| Pantaloon Retail (India) Limited | - | - | 34,779,999 | 3,478.00 |

f. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

| | As at March 31, 2013 | | As at March 31, 2012 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Cloverdell Investment Ltd | 49,880,500 | 70.23% | - | - |
| Pantaloon Retail (India) Limited | 6,479,848 | 9.12% | 34,779,999 | 53.67% |
| JV & Associates LLP | 4,773,795 | 6.72% | | |

| | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| g. Securities convertible into equity shares: | Nil | Nil |
| h. Shares reserved for issue under options for the sale of shares/disinvestment (Refer nota no 32) | 4,024,000 | 2,578,500 |
| i. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceding the reporting date | Nil | Nil |

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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **4 Reserves and Surplus:** | | |
| **Capital Reserve** | | |
| Balance as per last Balance Sheet | 5,925.00 | - |
| Add : Transferred during the year (Refer note no. 42) | - | 5,925.00 |
| | **5,925.00** | **5,925.00** |
| **Statutory Reserve under Section 45-IC of the RBI Act, 1934** | | |
| Balance as per last Balance Sheet | 4,306.94 | 2,443.55 |
| Less : Reduction on account of sale of subsidiary i.e. Future Finance Limited (Refer note no. 28(ii)) | (2.28) | - |
| Add : Transferred from Statement of Profit and Loss | 1,395.48 | 1,863.39 |
| | **5,700.14** | **4,306.94** |
| **Securities Premium Account** | | |
| Balance as per last Balance Sheet | 63,173.65 | 63,159.85 |
| Add : Received during the year (Refer note no. 39) | 9,451.50 | 13.80 |
| Less : Debenture issue expenses | (2,015.44) | - |
| | 70,609.71 | 63,173.65 |
| Less. 609,713 shares (Previous Year: 300,000) issued to Employee Welfare Trusts but not alloted to Employees (Refer note no. 43) | (1,457.38) | (1,096.35) |
| | **69,152.33** | **62,077.30** |
| **Foreign Exchange Fluctuation Reserve** | **229.55** | **122.53** |
| **General Reserve** | | |
| Balance as per last Balance Sheet | 737.27 | 276.30 |
| Add : Transferred from Statement of Profit and Loss | 523.30 | 460.97 |
| | **1,260.57** | **737.27** |
| **Surplus in the Statement of Profit and Loss** | | |
| Balance as per last Balance Sheet | 3,538.30 | (3,590.75) |
| Add: Loss of subsidiary excluded on sale | 327.46 | - |
| Add: Profit for the year | 6,310.94 | 10,583.07 |
| Less: Appropriations: | | |
| Transfer to statutory reserve u/s 45-IC of the RBI Act, 1934 | (1,395.48) | (1,863.39) |
| Proposed dividend (Amount per share Rs. 1.80 (Previous year Rs. 1.50)) | (1,278.44) | (971.98) |
| Dividend tax thereon | (217.27) | (157.68) |
| Transfer to general reserve | (523.30) | (460.97) |
| | **6,762.21** | **3,538.30** |
| | **89,029.80** | **76,707.34** |

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*Rs. in Lakhs*

| Particulars | Non Current Portion | | Current Maturities* | |
|---|---|---|---|---|
| | As at March 31, 2013 | As at March 31, 2012 | As at March 31, 2013 | As at March 31, 2012 |
| **5 Long term borrowings** | | | | |
| **Secured** | | | | |
| Redeemable Non Convertible Debentures | 68,910.00 | 51,410.00 | 2,500.00 | - |
| Term Loans | | | | |
| - from Banks | 318,244.99 | 200,623.61 | 71,333.33 | 51,375.00 |
| **Unsecured** | | | | |
| Redeemable Non Convertible Perpetual Debentures | 12,500.00 | - | - | - |
| Redeemable Non Convertible Debentures (Subordinated debt) | 15,000.00 | - | - | - |
| Term Loans | | | | |
| - from Banks (Subordinate debt) | 27,497.58 | 20,000.00 | - | - |
| | **442,152.57** | **272,033.61** | **73,833.33** | **51,375.00** |

* Amount disclosed under the head 'Other current liabilities' (Refer note no. 10)

a. **Security details for Secured Redeemable Non Convertible Debentures**
Debentures are secured by first charge on the fixed asset owned by the Company and first exclusive charge on the standard receivables of retail and corporate loan assets and other current assets of the Company.

b. **Particulars of Secured Redeemable Non Convertible Debentures**

*Rs. in Lakhs*

| Particulars | Face Value (Rs. In Lakhs) | Quantity | Date of Redemption | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|---|---|---|
| 10.00% CAPFIRSTNCD Series 2 | 10.00 | 1,000 | March 20, 2018 | 10,000.00 | - |
| 10.00% CAPFIRSTNCD Series 1 | 10.00 | 1,000 | February 15, 2018 | 10,000.00 | - |
| 11.25%,Tranche 2 | 10.00 | 1,250 | December 1, 2015 | 12,500.00 | 12,500.00 |
| 11.25%,Tranche 1 | 10.00 | 1,250 | October 1, 2015 | 12,500.00 | 12,500.00 |
| 10.25%,Tranche 2-A * | 10.00 | 60 | August 31, 2015 | 600.00 | 600.00 |
| 11.00%,Tranche 2-B3 | 10.00 | 4 | August 31, 2015 | 40.00 | 40.00 |
| 10.25%,Tranche 1-A * | 10.00 | 1,251 | August 16, 2015 | 12,510.00 | 12,510.00 |
| 11.00%,Tranche 1-B3 | 10.00 | 428 | August 16, 2015 | 4,280.00 | 4,280.00 |
| 11.00%,Tranche 2-B2 | 10.00 | 3 | February 28, 2015 | 30.00 | 30.00 |
| 11.00%,Tranche 1-B2 | 10.00 | 321 | February 16, 2015 | 3,210.00 | 3,210.00 |
| 11.00%,Tranche 2-B1 | 10.00 | 3 | August 31, 2014 | 30.00 | 30.00 |
| 11.00%,Tranche 1-B1 | 10.00 | 321 | August 16, 2014 | 3,210.00 | 3,210.00 |
| 10.35%,Tranche 1 | 10.00 | 250 | December 30, 2013 | 2,500.00 | 2,500.00 |
| | | | | **71,410.00** | **51,410.00** |

* These Debentures have tenure of 5 years subject to call/put option with the lender/investor to be exercised only after 3 years from the date of issue.

c. **Security details for Secured Term loans**

1 Term loans of Rs. NIL (Previous year: Rs. 65,002.75 lakhs) is secured by way of first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary Company and corporate guarantee of the subsidiary Company to the extent of the realisable value of the collateral security.

2 Term loans of Rs. 330,342.72 lakhs (Previous year: Rs. 166,996.03 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.

3 Term loans of Rs. 12,979.90 lakhs (Previous Year: Rs. 19,999.82 lakhs) is secured by way of first exclusive charge on receivables of priority sector lending of the Company.

4 Term loans of Rs. 46,255.70 lakhs (Previous Year: Rs. Nil) is secured by way of first exclusive charge on receivables of the Company.

d. **Particulars of Unsecured Redeemable Non Convertible Perpetual Debentures**

| Particulars | Issue Date | Coupon | Quantity | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|---|---|---|
| CAPFIRSTPEPNCD Series 1 | March 8, 2013 | 11% | 1,000 | 10,000.00 | - |
| CAPFIRSTPEPNCD Series 2 | March 14, 2013 | 11% | 250 | 2,500.00 | - |
| | | | | **12,500.00** | **-** |

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Funds raised through perpetual debentures | 12,500.00 | - |
| Amount outstanding as at the end of the year | 12,500.00 | - |
| Percentage of Perpetual Debt Instrument to Total Tier I Capital | 12.41% | - |
| Financial year in which interest on Perpetual Debt Instrument is not paid on account of Lock-in-clause | NA | NA |

These Debentures have a 'Call Option' which may be exercised by the Company only after the instrument has run for a period of ten years from the date of allotment. Further, call option shall be exercised by the Company only with the prior approval of Reserve Bank of India (RBI) and as per RBI guidelines. It also have a coupon rate step-up option of 100 bps, which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of allotment of issue. On excercise of this option the coupon rate will be higher by 100 bps for subsequent years, if Call Option is not exercised by the Company. The claim of the investors shall be pari passu among themselves and with other subordinated indebtedness of the Company, superior to the claims of investors in equity shares and subordinate to the claims of all other unsecured creditors and depositors of the Company, as regards repayment of principal and interest by the Issuer

e. **Particulars of Unsecured Redeemable Non Convertible Debentures (Subordinated debt)**

| Particulars | Face Value (Rs. In Lakhs) | Quantity | Date of Redemption | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|---|---|---|
| 10.30% CAPFIRSTUNNCD Series 1 | 10.00 | 1,000 | February 28, 2023 | 10,000.00 | - |
| 10.30% CAPFIRSTUNNCD Series 2 | 10.00 | 500 | February 28, 2023 | 5,000.00 | - |
| | | | | **15,000.00** | **-** |

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5 Long term Borrowings (continued)

*Rs. in Lakhs*

f. Terms of repayment

Term loans from Banks -Secured

As at March 31, 2013

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 Months | 10.75% | Quarterly Instalments | 22,500.00 | 2,500.00 |
| 48-60 months | 10.50% to 10.75% | Quarterly Instalments | 157,485.62 | 10,000.00 |
| 36-48 months | 10.30% to 11.25% | Semi-Annual & Quarterly Instalments | 134,092.70 | 50,500.00 |
| 24-36 months | 10.70% | Quarterly Instalments | 4,166.67 | 3,333.33 |
| Upto 12 months | 10.75% | Quarterly Instalments | - | 5,000.00 |
| **Grand Total** | | | **318,244.99** | **71,333.33** |

As at March 31, 2012

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 Months | 11.75% to 12.25% | Bullet and Quarterly Instalments | 29,498.61 | 7,500.00 |
| 48-60 months | 10.75% to 12.25% | Monthly and Quarterly Instalments | 151,125.00 | 13,875.00 |
| 36-48 months | 11.15% to 12.15% | Bullet, Monthly and Quarterly Instalments | 15,000.00 | 5,000.00 |
| 12-24 months | 11.25% | Bullet, Monthly and Quarterly Instalments | 5,000.00 | 5,000.00 |
| Upto 12 months | 11.65% | Bullet Payment on Maturity | - | 20,000.00 |
| **Grand Total** | | | **200,623.61** | **51,375.00** |

Term Loan from bank- Unsecured

As at March 31, 2013

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 months | 10.50% to 11.75% | Bullet | 27,497.58 | - |
| **Grand Total** | | | **27,497.58** | **-** |

As at March 31, 2012

| Tenor | Rate of interest | Repayment | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 months | 12.20% | Bullet | 20,000.00 | - |
| **Grand Total** | | | **20,000.00** | **-** |

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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **6 Other Long term liabilities** | | |
| Cash collateral against retail loans | - | 1.20 |
| Unamortised processing fees/ subvention income | 2,893.21 | 1,091.73 |
| Security Deposits | - | 219.62 |
| Others | 24.29 | 24.30 |
| | **2,917.50** | **1,336.85** |
| **7 Long term Provisions** | | |
| For standard assets | 1,006.71 | 766.32 |
| Loan loss provision | 20.00 | 280.00 |
| For foreclosure/ credit loss on assignment | 6,866.40 | 8,265.90 |
| Provisions for employee benefits | | |
| - Gratuity | 168.10 | 97.76 |
| | **8,061.21** | **9,409.98** |

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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **8 Short term Borrowings** | | |
| **Secured** | | |
| Loans repayable on demand - from banks * | 104,546.10 | 79,728.36 |
| **Unsecured** | | |
| Commercial papers | 2,482.95 | 35,495.15 |
| **Total** | **107,029.05** | **115,223.51** |

*** Additional Information:**

1 Cash credit of Rs. NIL (Previous Year: Rs. 14,972.31 lakhs) is secured by pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.

2 Cash credit (including Working Capital Demand Loan) of Rs. 64,667.15 lakhs (Previous Year: Rs. 64,756.05 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.

3 Cash credit of Rs. 39,878.95 lakhs (Previous Year: Rs. Nil) is secured by way of first exclusive charge on receivables of the Company.

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CAPITAL FIRST LIMITED

*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **9 Trade Payables** | | |
| To Micro, Small and Medium Enterprises * | - | - |
| Trade payables | 5,517.63 | 4,210.93 |
| | **5,517.63** | **4,210.93** |

*** Disclosure under Micro, Small and Medium Enterprises Development Act, 2006**

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2013. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act, 2006 (Act) has been determined to the extent such parties have been identified by the Company.

| | | |
|---|---|---|
| **10 Other current liabilities:** | | |
| Current maturities of Long term borrowings (Refer note 5) | 73,833.33 | 51,375.00 |
| Interest accrued but not due on borrowings | 2,488.13 | 1,671.19 |
| Interest accrued and due on borrowings | 180.54 | 511.42 |
| Income received in advance | 29.95 | 97.00 |
| Advance received from Customers | 485.86 | 926.38 |
| Overdrawn Book balance | 1,731.53 | 20,256.16 |
| Unamortised processing fees/ subvention income | 2,838.39 | 604.37 |
| Unclaimed dividends | 8.83 | 5.98 |
| Unclaimed Share Application Money | 20.24 | 23.12 |
| Security Deposits | 47.89 | 39.05 |
| Other liabilities | 4,806.54 | 3,977.62 |
| | **86,471.23** | **79,487.29** |
| **11 Short term provisions:** | | |
| Provision for employee benefits | | |
| - Gratuity | 18.68 | 25.73 |
| - Leave encashment and availment (Refer note no. 44) | 169.12 | 113.20 |
| Proposed dividend | 1,278.44 | 971.98 |
| Dividend tax thereon | 217.27 | 157.68 |
| For standard assets | 491.59 | 465.20 |
| For doubtful loans and advances (Refer note no. 2.1(a)(1)) | 578.83 | 465.27 |
| For doubtful debts | 1,136.60 | 174.64 |
| For doubtful deposits | 18.25 | - |
| For foreclosure/ credit loss on assignment | 1,822.36 | 1,868.94 |
| For income tax (net of advance taxes) | 42.03 | 48.21 |
| | **5,773.17** | **4,290.85** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED
(Formerly known as Future Capital Holdings Limited)

**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

**12. Fixed Assets**

*Rs. in Lakhs*

| Particulars | GROSS BLOCK (AT COST) | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2012 | Additions for the year | Deletions/ Adjustments during the year | Deletion on sale of subsidiaries | As at March 31, 2013 | As at April 1, 2012 | For the year | Deletions/ Adjustments during the year | Deletion on sale of subsidiaries | As at March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| **Tangible Assets** | | | | | | | | | | | | |
| Land * | 6.25 | - | - | - | 6.25 | - | - | - | - | - | 6.25 | 6.25 |
| Computers and Printers | 1,531.96 | 572.58 | 118.72 | 1.88 | 1,983.94 | 835.34 | 224.37 | 93.20 | 1.88 | 964.63 | 1,019.31 | 696.62 |
| Office Equipment | 705.07 | 137.20 | 135.57 | 1.06 | 705.64 | 203.15 | 45.01 | 36.34 | 0.77 | 211.05 | 494.59 | 501.92 |
| Furniture and Fixtures | 737.83 | 79.28 | 164.19 | 2.79 | 650.13 | 259.48 | 41.12 | 53.33 | 0.92 | 246.35 | 403.78 | 478.35 |
| Electrical Installation | 244.68 | 34.93 | 62.56 | 14.30 | 202.75 | 21.18 | 11.94 | 15.62 | 3.76 | 13.74 | 189.01 | 223.50 |
| Air Conditioners | 108.87 | 0.55 | 36.80 | - | 72.62 | 58.69 | 2.29 | 9.16 | - | 51.82 | 20.80 | 50.18 |
| Leasehold Improvements | 1,327.41 | 103.37 | 169.60 | - | 1,261.18 | 824.57 | 150.70 | 142.18 | - | 833.09 | 428.09 | 502.84 |
| Vehicles | 20.63 | - | - | - | 20.63 | 20.63 | - | - | - | 20.63 | - | - |
| Generator set | 15.65 | - | - | 15.65 | - | 3.76 | 0.19 | - | 3.95 | - | - | 11.89 |
| **Sub-Total (A)** | **4,698.35** | **927.91** | **687.44** | **35.68** | **4,903.14** | **2,226.80** | **475.62** | **349.83** | **11.28** | **2,341.31** | **2,561.83** | **2,471.55** |
| **Intangible Assets** | | | | | | | | | | | | |
| Domain and Trade Names | 15.94 | 20.83 | 20.46 | - | 16.31 | 11.93 | 5.70 | 1.68 | - | 15.95 | 0.36 | 4.01 |
| Data Processing Software | 678.73 | 509.00 | 0.38 | - | 1,187.35 | 299.54 | 187.85 | 0.14 | - | 487.25 | 700.10 | 379.19 |
| **Sub-Total (B)** | **694.67** | **529.83** | **20.84** | **-** | **1,203.66** | **311.47** | **193.55** | **1.82** | **-** | **503.20** | **700.46** | **383.20** |
| **Total (A+B)** | **5,393.02** | **1,457.74** | **708.28** | **35.68** | **6,106.80** | **2,538.27** | **669.17** | **351.65** | **11.28** | **2,844.51** | **3,262.29** | **2,854.75** |

*Mortgaged as security against Secured Non Convertible Debentures

**Previous Year**

*Rs. in Lakhs*

| Particulars | GROSS BLOCK (AT COST) | | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2011 | Adjustment on account of inclusion / (exclusion) of subsidiary | Additions for the year | Deletion/ Adjustments during the year | As at March 31, 2012 | As at April 1, 2011 | Adjustment on account of inclusion / (exclusion) of subsidiary | For the year | Deletion/ Adjustments during the year | As at March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| **Tangible Assets** | | | | | | | | | | | | |
| Land * | 6.25 | - | - | - | 6.25 | - | - | - | - | - | 6.25 | 6.25 |
| Computers and Printers | 1,028.00 | (35.91) | 588.48 | 48.61 | 1,531.96 | 749.55 | (23.22) | 131.55 | 22.54 | 835.34 | 696.62 | 278.45 |
| Office Equipment | 307.14 | (1.86) | 401.45 | 1.66 | 705.07 | 177.77 | (0.39) | 25.83 | 0.06 | 203.15 | 501.92 | 129.37 |
| Furniture and Fixtures | 490.51 | - | 339.81 | 92.49 | 737.83 | 249.22 | - | 37.83 | 27.57 | 259.48 | 478.35 | 241.29 |
| Electrical Installation | 69.92 | - | 174.76 | - | 244.68 | 14.39 | - | 6.79 | - | 21.18 | 223.50 | 55.53 |
| Air Conditioners | 103.21 | - | 6.72 | 1.06 | 108.87 | 57.39 | - | 1.68 | 0.38 | 58.69 | 50.18 | 45.82 |
| Leasehold Improvements | 799.78 | - | 530.98 | 3.35 | 1,327.41 | 721.78 | - | 105.49 | 2.70 | 824.57 | 502.84 | 78.00 |
| Vehicles | 29.38 | - | - | 8.74 | 20.63 | 13.98 | - | 9.56 | 2.91 | 20.63 | - | 15.40 |
| Hard furnishings | 1.86 | (1.86) | - | - | - | 1.41 | (1.41) | - | - | - | - | 0.45 |
| Generator set | 15.65 | - | - | - | 15.65 | 3.02 | - | 0.74 | - | 3.76 | 11.89 | 12.63 |
| **Sub-Total (A)** | **2,851.70** | **(39.63)** | **2,042.20** | **155.91** | **4,698.35** | **1,988.51** | **(25.02)** | **319.47** | **56.16** | **2,226.80** | **2,471.55** | **863.19** |
| **Intangible Assets** | | | | | | | | | | | | |
| Domain and Trade Names | 15.88 | - | 0.06 | - | 15.94 | 9.44 | - | 2.49 | - | 11.93 | 4.01 | 6.44 |
| Data Processing Software | 439.68 | - | 239.05 | - | 678.73 | 195.50 | - | 104.04 | - | 299.54 | 379.19 | 244.18 |
| **Sub-Total (B)** | **455.56** | **-** | **239.11** | **-** | **694.67** | **204.94** | **-** | **106.53** | **-** | **311.47** | **383.20** | **250.62** |
| **Total (A+B)** | **3,307.26** | **(39.63)** | **2,281.31** | **155.91** | **5,393.02** | **2,193.45** | **(25.02)** | **426.00** | **56.16** | **2,538.27** | **2,854.75** | **1,113.81** |

*Mortgaged as security against Secured Non Convertible Debentures

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED
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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

**13 Non - Current Investments:**

*Rs. in Lakhs*

| Name of the Company | Quantity | As at March 31, 2013 | Quantity | As at March 31, 2012 |
|---|---|---|---|---|
| **Investment property** | | | | |
| Building | | | | |
| Gross Block | | - | | 7,557.93 |
| Less: Accumulated Depreciation | | - | | (678.41) |
| Net Block | | - | | 6,879.52 |
| **Trade Investments: (Valued at Cost unless otherwise stated)** | | | | |
| **Investments in Equity Instruments (Unquoted):** | | | | |
| In fully paid up equity shares of Rs.10 each | | | | |
| Ayati Investment Advisors Limited | - | - | 600,000 | 600.00 |
| IndoSpace Rohan Industrial Park Private Limited (formerly known as Rohan Realty Private Limited) | 7,146 | 21.95 | 7,146 | 21.95 |
| IndoSpace Rohan Industrial Park Mahalunge Private Limited (formerly known as Rohan Brothers Builders Private Limited) | 105 | 20.01 | 105 | 20.02 |
| IndoSpace Rohan Industrial Park Khed Private Limited (formerly known as Rohan Buildwell Private Limited) | 166 | 24.34 | 166 | 24.34 |
| IndoSpace Rohan Industrial Park Pune Private Limited (formerly known as Rohan Erectors Private Limited) | 105 | 20.05 | 105 | 20.05 |
| Indospace SKCL Industrial Park Orgadem Private Limited (formerly known as IndoSpace Logistics Parks Private Limited) | 12,025 | 16.56 | 12,025 | 16.56 |
| Indospace FWS Industrial Park Private Limited (Formerly known as Future Warehouse Management Services Private Limited) | 3,957 | 7.80 | 3,957 | 7.80 |
| | | **110.71** | | **710.72** |
| Less: Provision for diminution in value of investments | | - | | 600.00 |
| | | **110.71** | | **110.72** |
| **Investments in Equity Instruments (Quoted):** | | | | |
| In fully paid up equity shares of Rs.10 each | | | | |
| Centrum Capital Limited | | - | 105,783 | 1,500.00 |
| Less: Provision for diminution in investments | | - | | 350.00 |
| | | - | | **1,150.00** |
| **Total** | | **110.71** | | **1,260.72** |
| **Non Trade Investments: (Valued at Cost unless otherwise stated)** | | | | |
| **Investments in debentures (Unquoted) * :** | | | | |
| 18.75%, Secured redeemable non-convertible debentures of Kanakia Bhumi Construction Private Limited, fully paid up of Rs. 100.00 lakhs each | | - | 90 | 7,500.00 |
| 18.75%, Secured redeemable non-convertible debentures of Kanakia Spaces Private Limited, fully paid up of Rs. 100.00 lakhs each | | - | 40 | 3,334.00 |
| 16%, Secured redeemable non-convertible debentures of Keystone Realtors Private Limited, fully paid up of Rs. 100.00 lakhs each | 12 | 1,714.28 | 12 | 8,572.11 |
| 16%, Secured redeemable non-convertible debentures of Omkar Realtors & Developer Limited, fully paid up of Rs. 1.00 lakhs each | 6,000 | 5,809.39 | | - |
| | | **7,523.67** | | **19,406.11** |
| **Investments in Bonds (Unquoted):** | | | | |
| In fully paid up bonds of Rs. 100 each | | | | |
| Government Bonds | | - | 189 | 0.19 |
| | | - | | **0.19** |
| **Total** | | **7,634.38** | | **27,546.54** |
| **Additional Information:** | | | | |
| Aggregate market value of quoted Investments | | - | | 1,163.61 |
| Aggregate value of quoted investments: | | - | | 1,500.00 |
| Aggregate value of unquoted investments: | | 7,634.38 | | 20,117.02 |
| Aggregate provision for diminution in value of investments: | | - | | 950.00 |

* Current maturities of Rs. 6,857.14 lakhs (Previous Year: Rs.4,744.00 lakhs) is shown under note no. 17

CAPITAL FIRST LIMITED

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**CAPITAL FIRST LIMITED**
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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **14 Deferred tax assets (Net)** (Refer note no. 40) | | |
| **Deferred tax asset:** | | |
| On account of depreciation on fixed assets | 336.00 | 344.48 |
| On other disallowances under Income Tax Act, 1961 | | |
| - Retirement Benefit | 63.48 | 74.13 |
| - Provision for doubtful debts | 94.62 | 45.56 |
| - Provision for doubtful retail loans | 192.38 | 139.09 |
| - Unamortised Processing fees | 1,948.17 | - |
| - Provision for standard assets | 509.27 | - |
| - Other disallowance | 6.20 | 88.67 |
| | 3,150.12 | 691.93 |
| **Deferred tax liability:** | | |
| Unamortised loan origination cost | 1,644.52 | - |
| Unamortised Bank fees | 638.18 | - |
| | 2,282.70 | - |
| **Net Deferred tax assets** | **867.42** | **691.93** |
| **15 Long term loans and advances:** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity | 379,936.25 | 261,344.26 |
| Vehicles on finance lease | - | 58.39 |
| *Unsecured, considered good* | | |
| Capital advances | 90.66 | 166.04 |
| Security Deposits | 1,046.47 | 995.28 |
| Other loans & advances: | | |
| Loans and advances relating to financing activity | 4,479.48 | 182.20 |
| Receivables under loans assigned | 6,463.03 | 5,843.38 |
| Advances to staff * | 100.00 | 100.00 |
| Advances recoverable in cash or in kind or for value to be received | 894.16 | 415.32 |
| Advance taxes (net of provision for tax) | 3,338.34 | 2,402.19 |
| Service tax input credit receivable | 0.49 | - |
| | 16,412.63 | 10,104.41 |
| | **396,348.88** | **271,507.06** |
| *** Additional Information:** | | |
| Debts due by directors or other officers of the company | 100.00 | 100.00 |
| **16 Other non current assets** | | |
| Security Deposits | - | 0.62 |
| MAT credit entitlement | - | 162.50 |
| Unamortised loan origination cost (Refer note no. 37(a)) | 3,469.82 | 1,554.39 |
| Unamortised bank fee (Refer note no. 37(b)) | 1,405.74 | - |
| Balances with banks | | |
| - in deposit accounts exceeding twelve months maturity | 16,669.00 | 14,736.04 |
| Others | - | 16.28 |
| | **21,544.56** | **16,469.83** |

**17 Current Investments:**

*Rs. in Lakhs*

| Particulars | Quantity | As at March 31, 2013 | Quantity | As at March 31, 2012 |
|---|---|---|---|---|
| **Investments in Mutual funds (Unquoted):** | | | | |
| Reliance Liquid Fund - Treasury Plan-Institutional Option-Growth Option | | - | 213,004 | 21.30 |
| Peerless Liquid Fund-Super Institutional Growth | | - | 4,280,932 | 500.00 |
| Pramerica Liquid Fund - Growth Option | | - | 43,833 | 500.00 |
| | | - | | 1,021.30 |
| Current maturities of long term investments | | 6,857.14 | | 4,744.00 |
| | | 6,857.14 | | 5,765.30 |
| **Additional Information:** | | | | |
| Aggregate value of unquoted investments: | | | | |
| - Cost | | 6,857.14 | | 5,765.30 |

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CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED
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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| **18 Trade receivables:** | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| - Secured, considered good | 4.83 | 2.10 |
| - Secured, considered doubtful | - | 9.64 |
| - Unsecured, considered doubtful | 283.11 | 133.22 |
| | 287.94 | 144.96 |
| Other debts | | |
| - Secured, considered good | 1,255.07 | 423.04 |
| - Unsecured, considered good | 2,311.88 | 854.22 |
| - Unsecured, considered doubtful | 43.97 | 41.41 |
| | 3,610.92 | 1,318.67 |
| | **3,898.86** | **1,463.63** |
| **19 Cash and Bank Balances:** | | |
| **Cash and Cash Equivalents:** | | |
| Cash on hand * | 1,604.45 | 1,030.62 |
| Balances with Banks | | |
| - in unclaimed dividend accounts | 8.83 | 5.98 |
| - in unclaimed share application money | 20.24 | 23.12 |
| - in current accounts | 95,497.39 | 49,499.95 |
| - in deposit accounts having original maturity less than three months | 20,000.00 | - |
| | **117,130.91** | **50,559.67** |
| **Other Bank Balances:** | | |
| Deposit with original maturity for more than three months but less than twelve months | | |
| - in fixed deposit accounts | 4,431.89 | 50.00 |
| - in fixed deposit accounts lien against Bank Guarantee | 487.50 | 300.00 |
| - in fixed deposit account earmarked against Trade Guarantee Fund | 10.00 | 10.00 |
| | **122,060.30** | **50,919.67** |

*Includes Cash in transit amounting to Rs.169.36 lakhs (Previous year Rs.149.53 lakhs)

| | | |
|---|---|---|
| **20 Short term loans and advances:** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity * | 133,336.24 | 173,884.46 |
| Current maturity of finance lease | - | 78.71 |
| Receivables under loans assigned | 21,690.00 | - |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity * | 1,766.91 | 1,950.37 |
| *Unsecured, considered good* | | |
| Loans and advances relating to financing activity * | 19,425.40 | 5,503.21 |
| Receivables under loans assigned | 1,642.28 | 1,408.97 |
| Advances recoverable in cash or in kind or for value to be received | 2,831.50 | 1,691.37 |
| Security Deposits | 45.02 | 35.32 |
| *Unsecured, considered doubtful* | | |
| Security Deposits | 18.25 | - |
| Loans and advances to related parties | - | 0.21 |
| Loans and advances relating to financing activity * | 166.10 | 339.94 |
| Advances recoverable in cash or in kind or for value to be received | 32.82 | 36.38 |
| | **180,954.52** | **184,928.94** |

* Includes current maturities of long term loans and advances and overdue advances.

| | | |
|---|---|---|
| **21 Other Current Assets** | | |
| Interest accrued but not due | 6,928.91 | 3,580.64 |
| Interest accrued and due | 750.88 | 1,515.34 |
| Unamortised loan origination cost (Refer note no. 37(a)) | 1,368.44 | 584.65 |
| Unamortised bank fee (Refer note no. 37(b)) | 471.82 | - |
| Unbilled Subvention Income | 369.65 | 156.63 |
| Others | 30.68 | 25.25 |
| | **9,920.38** | **5,862.51** |

CAPITAL FIRST LIMITED

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**CAPITAL FIRST LIMITED**
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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| **22 Revenue from operations:** | | |
| Interest income | 72,839.45 | 55,423.18 |
| Other financial services | | |
| Fee income (Refer note no. 2.1(a)(2)) | 2,167.56 | 7,869.00 |
| Rental income | 108.68 | 654.24 |
| Income from assignment of loans (Refer note no. 2.1(a)(3)) | 2,920.85 | 7,052.69 |
| Profit on sale of current investments (net) | 415.18 | 320.88 |
| Profit on sale of Leased Assets | 11.45 | 7.83 |
| Management fees | 748.32 | 1,593.01 |
| Commission and brokerage Income | 2,184.33 | 1,093.79 |
| Profit on trading in commodities (net) | 83.52 | - |
| | **81,479.34** | **74,014.62** |
| **23 Other Income:** | | |
| Interest on income tax refund | 110.81 | 79.37 |
| Excess provision written back | 36.94 | - |
| Other non operating income | 334.83 | 280.46 |
| | **482.58** | **359.83** |
| **24 Employee Benefits Expense:** | | |
| Salaries and wages | 12,837.78 | 7,901.93 |
| Contribution to provident and other funds | 412.62 | 290.56 |
| Remuneration to whole time directors | 437.03 | 353.88 |
| Staff welfare expenses | 248.57 | 137.78 |
| | **13,936.00** | **8,684.15** |
| **25 Finance Costs:** | | |
| Interest expense (Refer note no. 2.1(a)(2)) | 43,299.69 | 29,260.17 |
| Other borrowing costs | 5,042.67 | 10,509.58 |
| | **48,342.36** | **39,769.75** |
| **26 Depreciation and Amortisation expense:** | | |
| Depreciation on Fixed Assets | 475.62 | 319.48 |
| Depreciation on Investment Property | 30.64 | 122.61 |
| Amortisation of intangible assets | 193.55 | 106.53 |
| | **699.81** | **548.62** |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

*Rs. in Lakhs*

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| **27 Other expenses:** | | |
| Rent | 1,567.80 | 1,253.17 |
| Repairs to buildings | - | 1.65 |
| Repairs others | 578.37 | 317.44 |
| Insurance | 54.84 | 39.92 |
| Rates and taxes | 199.58 | 149.25 |
| Auditors Remuneration | | |
| - as auditor | 64.00 | 46.31 |
| - for other services | 6.52 | 1.00 |
| - for reimbursement of expenses | 3.72 | 3.77 |
| Business promotion expenses | 262.05 | 111.18 |
| Commission and brokerage | 289.61 | 100.73 |
| Travelling expenses | 600.66 | 430.15 |
| Communication expenses | 670.74 | 359.05 |
| Printing and stationery | 215.81 | 206.90 |
| Postage and courier | 20.31 | - |
| Recruitment expenses | 167.25 | 244.71 |
| Membership and subscription | 26.82 | 30.10 |
| Advertisement, publicity and sales promotion expenses | 371.53 | 198.13 |
| Electricity charges | 225.32 | 163.98 |
| Amortised loan origination cost | 1,964.34 | 1,797.36 |
| **Provision and Write offs:** | | |
| Provision for doubtful loans and advances (Refer note no. 2.1(a)(1)) | 833.77 | 105.26 |
| Provision for diminution in value of investments - Others | - | 350.00 |
| Provision for standard assets | 266.78 | 1,090.51 |
| Bad loans and trade receivables written off | 1,100.81 | 707.03 |
| | **2,201.36** | **2,252.80** |
| Loss on sale of fixed asset (including write off) (net) | 321.85 | 54.85 |
| Fixed Assets Written Off | 11.59 | 6.03 |
| Donations | 1.50 | 9.52 |
| Legal and professional charges | 1,586.59 | 1,351.95 |
| CMS Charges | 1,457.79 | 282.07 |
| Directors sitting fees | 18.82 | 11.90 |
| Collection expenses | 254.00 | 348.02 |
| Remuneration to non whole time directors - Commission | 48.00 | 50.00 |
| Preliminary expenses written off | 4.85 | - |
| Miscellaneous expenses | 597.31 | 390.62 |
| | 13,792.93 | 10,212.56 |
| **28 Exceptional items** | | |
| Profit on sale of subsidiary | 2,130.95 | - |
| | 2,130.95 | - |

(i) During the year ended March 31, 2013, the Company has sold its stake in Myra Mall Management Company Limited vide Share Purchase Agreement dated July 09, 2012 for a consideration of Rs. 2,236.00 lakhs. The profit of Rs. 2,236.00 lakhs on sale of shares has been reported as exceptional items.

(ii) During the year ended March 31, 2013, the Company has sold its stake in Future Finance Limited vide Share Purchase Agreement dated September 17, 2012 for a net consideration of Rs. 1,520.47 lakhs. The net loss of Rs. 105.05 lakhs after goodwill write off has been reported as exceptional items.

**29 Earnings per equity share ('EPS'):**

| | | |
|---|---|---|
| **Basic EPS** | | |
| Profit for the year after tax expense (Rs. in Lakhs) | 6,310.94 | 10,583.07 |
| Weighted average number of equity shares | 66,525,931 | 64,798,484 |
| Nominal value per equity share (Rs.) | 10.00 | 10.00 |
| **Earning per equity share - Basic (Rs.)** | **9.49** | **16.33** |
| **Diluted EPS** | | |
| Profit for the year after tax expense (Rs. in Lakhs) | 631,095,127 | 1,058,308,178 |
| Weighted average number of equity shares | 66,525,931 | 64,798,484 |
| Add: Weighted number of equity shares under options | 331,053 | 7,433 |
| Weighted average number of diluted equity shares | 66,856,984 | 64,805,917 |
| Nominal value per equity share (Rs.) | 10.00 | 10.00 |
| **Earning per equity share - Diluted (Rs.)** | **9.44** | **16.33** |

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

30. **Contingent liabilities and commitments**

a. Contingent Liabilities not provided for in respect of:

(Rs. in Lakhs)

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Guarantees given by Bank on behalf of the Group | 975.00 | 600.00 |
| Corporate guarantee given by Company to banks | 1,900.00 | 900.00 |
| Liability on account of retail trades | 20.80 | 17.75 |
| Income-tax matters under dispute * | 362.33 | 231.48 |

* Future cash outflows are determinable only on receipt of judgements /decisions pending with various forums/authorities.

b. Commitments:

(Rs. in Lakhs)

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 205.24 | 291.93 |
| Commitments relating to granting of loan | 15,820.48 | 28,201.83 |

31. **Post-employment benefit plans:**

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses

The following table summarise the components of net benefit expense recognized in the statement of profit and loss and amounts recognized in the balance sheet for the respective plans.

(Rs. in Lakhs)

| | Year ended March 31, 2013 | Year ended March 31, 2012 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Present Value of the Obligation as at the beginning of the year | 123.49 | 43.88 | 8.63 | 23.98 |
| Adjustment on account of exclusion of joint venture/ subsidiary | - | | - | - |
| Interest Cost | 10.19 | 3.51 | 0.71 | 1.92 |
| Current Service Cost | 111.22 | 93.52 | 7.39 | 5.40 |
| Benefit Paid | (17.12) | (18.11) | (3.11) | (1.19) |
| Actuarial (gain)/ loss on obligations | (41.01) | 0.69 | 2.03 | (21.48) |
| Present Value of the Obligation as at the end of the year | 186.77 | 123.49 | 15.65 | 8.63 |

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A. Fair Value of Plan Assets

(Rs. in Lakhs)

| | Year ended March 31, 2013 | Year ended March 31, 2012 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Fair Value of the Plan Assets as on April 1, 2013 | - | - | 26.69 | 23.28 |
| Expected return on Plan Assets | - | - | 2.33 | 2.50 |
| Contributions | - | - | 4.70 | 2.10 |
| Benefits paid | - | - | (3.11) | (1.19) |
| Fair Value of the Plan Assets as on March 31, 2013 | - | - | 30.61 | 26.69 |

B. Actual return on Plan Assets

(Rs. in Lakhs)

| | Year ended March 31, 2013 | Year ended March 31, 2012 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Actual return on Plan Assets | - | - | 2.33 | 2.50 |

C. Amount recognised in the Statement of Profit and Loss

(Rs. in Lakhs)

| | Year ended March 31, 2013 | Year ended March 31, 2012 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Interest Cost | 10.19 | 3.51 | 0.71 | 1.92 |
| Current Service Cost | 111.22 | 93.52 | 7.39 | 5.40 |
| Expected return on Plan Assets | - | - | (2.33) | (2.50) |
| Actuarial (gain)/ loss on obligations | (41.01) | 0.69 | 2.03 | (21.48) |
| Total expense recognised in the Statement Profit and Loss | 80.40 | 97.72 | 7.80 | (16.66) |

D. Reconciliation of Balance Sheet

(Rs. in Lakhs)

| | Year ended March 31, 2013 | Year ended March 31, 2012 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Present Value of the Obligation as at the beginning of the year | 123.49 | 43.88 | 8.63 | 23.98 |
| Total expense recognised in the Statement of Profit and Loss | 80.40 | 97.72 | 7.80 | (16.66) |
| Benefits paid | (17.12) | (18.11) | (3.11) | (1.19) |
| Expected Return on Plan Assets | - | - | 2.33 | 2.50 |
| Present Value of the Obligation as at the end of the year | 186.77 | 123.49 | 15.65 | 8.63 |

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The principal assumptions used in determining obligations for the Group's plans are shown below:

| Assumptions | Year ended March 31, 2013 | Year ended March 31, 2012 | Year ended March 31, 2013 | Year ended March 31, 2012 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Discount rate | 8.25% | 8% | 8.25% | 8% |
| Increase in compensation cost | 8% | 8% | 5% | 5% |
| Employee turnover | 2% | 2% | 1% | 1% |
| Rate of Return on Plan Assets | NA | NA | 9.05% | 9.36% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on Balance Sheet date, applicable to the period over which the obligation is to be settled.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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32. **Employee Stock Option Scheme ('ESOS')**

**For the year ended March 31, 2013**

| Particulars of Options | ESOP 2007 | ESOP 2008 | ESOP 2009 | ESOP 2011 | ESOP 2012 |
|---|---|---|---|---|---|
| Outstanding as at the beginning of the year | 452,000 | 579,500 | 350,000 | 1,197,000 | - |
| Granted during the year | - | 40,000 | 30,000 | 347,500 | 1,315,000 |
| Forfeited/ Cancelled during the year | 100,000 | 20,000 | 30,000 | 69,000 | 15,000 |
| Lapsed during the year | - | - | - | - | - |
| Exercised/ Allotted during the year | 8,000 | 2,000 | - | 43,000 | - |
| Outstanding as at the end of the year | 344,000 | 597,500 | 350,000 | 1,432,500 | 1,300,000 |
| Exercisable at the end of the year | - | 162,100 | 160,000 | 217,000 | - |
| Weighted average remaining contractual life (in years) | 3.44 | 4.51 | 4.40 | 6.68 | 6.19 |
| Weighted average fair value of options granted | Rs. 146.37 | Rs. 102.38 | Rs. 154.37 | Rs. 97.32 | Rs. 98.38 |
| Method of settlement | Equity | Equity | Equity | Equity | Equity |

**For the year ended March 31, 2012**

| Particulars of Options | ESOP 2007 | ESOP 2008 | ESOP 2009 | ESOP 2011 | ESOP 2012 |
|---|---|---|---|---|---|
| Outstanding as at the beginning of the year | 459,000 | 569,500 | 350,000 | - | - |
| Granted during the year | - | 65,000 | - | 1,202,000 | - |
| Forfeited/ Cancelled during the year | 7,000 | 40,000 | - | 5,000 | - |
| Lapsed during the year | - | - | - | - | - |
| Exercised/ Allotted during the year | - | 15,000 | - | - | - |
| Outstanding as at the end of the year | 452,000 | 579,500 | 350,000 | 1,197,000 | - |
| Exercisable at the end of the year | 108,000 | 66,500 | 70,000 | - | - |
| Weighted average remaining contractual life (in years) | 3.75 | 5.07 | 4.86 | 5.70 | - |
| Weighted average fair value of options granted | Rs. 113.70 | Rs. 96.63 | Rs. 141.50 | Rs. 66.00 | - |
| Method of settlement | Equity | Equity | Equity | Equity | Equity |

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**ESOS 2007**
No further options were granted during the year under this scheme. Options under this scheme will vest after the expiry of 3 years from the date of grant. The same will be exercisable within 4 years from the date of vesting.

**ESOS 2008**
The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 40,000 equity shares to the eligible employees at an exercise price of Rs. 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

**ESOS 2009**
The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 30,000 equity shares to the eligible employees at an exercise price of Rs. 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

**ESOS 2011**
The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 347,500 equity shares to the eligible employees at an exercise price of Rs. 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

**ESOS 2012**
The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 1,300,000 equity shares and the said Committee at its meeting held on February 6, 2013 granted options in respect of 15,000 equity shares to the eligible employees at an exercise price of Rs. 203.50 and Rs. 175.00 respectively. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

The fair value of the sock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

| **Particulars** | **ESOS 2007/ ESOS 2008/ ESOS 2009/ ESOS 2011/ ESOS 21012** |
|---|---|
| Exercise Price | ESOS 2007- Nil<br><br>ESOS 2008- 40,000 stock options<br><br>ESOS 2009- 30,000 stock options<br><br>ESOS 2011- 347,500 stock options<br><br>ESOS 2012- 1,315,000 stock options |
| Historical Volatility | 44.98% - 53.35% |
| Life of the options granted (Vesting and exercise period) in years | Vesting schedule:<br>25% each year from the end of 1, 2, 3 and 4 years of the date of grant respectively<br><br>Exercise Period:<br>Within 4 years from the date of vesting |
| Dividend yield | 0.90% |
| Average risk-free interest rate | 7.90% - 8.12% |

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**Proforma Accounting**

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Net Profit after tax as reported | 6,310.94 | 10,583.07 |
| Less: Employee stock compensation cost under fair value method | 933.52 | 856.13 |
| **Total** | **5,377.42** | **9,726.94** |
| Basic earnings per share as reported | 9.49 | 16.33 |
| Proforma Basic earnings per share | **8.08** | **15.01** |
| Diluted earnings per share as reported | 9.44 | 16.33 |
| Proforma Diluted earnings per share | **8.04** | **15.01** |

33. **Segment Reporting**

**Primary segment information (by business segments):**

Segment Report as per Accounting Standard ('AS') – 17, 'Segment Reporting' for the year ended March 31, 2013:

(Rs. in Lakhs)

| Particulars | Consolidated | | Financing Activities | | Other reconciling items | |
|---|---|---|---|---|---|---|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| **I. Primary Segment-Business** | | | | | | |
| **Revenue** | | | | | | |
| Income from external operations | 80,844.80 | 73,888.40 | 78,477.63 | 70,706.09 | 2,367.17 | 3,182.31 |
| Inter segment revenue | 1,117.12 | 486.05 | 562.17 | 220.60 | 554.95 | 265.45 |
| **Total** | **81,961.92** | **74,374.45** | **79,039.80** | **70,926.69** | **2,922.12** | **3,447.76** |
| | | | | | | |
| **Segment result** | **7,339.31** | **15,366.04** | **7,860.82** | **14,575.77** | **(521.51)** | **790.27** |
| Interest on unallocated reconciling items | (17.54) | (206.67) | - | - | (17.54) | (206.67) |
| Income taxes | (1,010.83) | (4,576.30) | (925.41) | (4,354.53) | (85.42) | (221.77) |
| **Net Profit after tax** | **6,310.94** | **10,583.07** | **6,935.41** | **10,221.24** | **(624.47)** | **361.83** |
| | | | | | | |
| **Other Information** | | | | | | |
| Segment assets | 749,142.98 | 565,257.43 | 734,005.49 | 551,547.36 | 15,137.49 | 13,710.07 |
| Other unallocated assets | 4,850.64 | 3,892.78 | 4,515.11 | 3,524.56 | 335.53 | 368.22 |
| **Total Assets** | **753,993.62** | **569,150.21** | **738,520.60** | **555,071.92** | **15,473.02** | **14,078.29** |
| | | | | | | |
| Segment liabilities | 657,922.36 | 485,993.02 | 655,132.77 | 484,076.94 | 2,789.59 | 1,916.08 |
| Other unallocated liabilities | - | - | - | - | - | - |
| **Total Liabilities** | **657,922.36** | **485,993.02** | **655,132.77** | **484,076.94** | **2,789.59** | **1,916.08** |
| | | | | | | |
| Capital Expenditure | 1,457.74 | 2,281.31 | 1,427.79 | 2,115.70 | 29.95 | 165.61 |
| Depreciation/ amortisation | 699.81 | 548.62 | 563.23 | 298.13 | 136.58 | 250.49 |
| Other non-cash expenses | 2,534.80 | 2,313.68 | 1,483.22 | 1,628.44 | 1,051.58 | 685.24 |

**Geographical Segments:**
The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.

34. **Related Party Disclosure:**
Names of related parties where control exists irrespective of whether transactions have occurred or not

| Relationship | Name of the Party |
|---|---|
| Holding Company | Cloverdell Investment Ltd. (w.e.f. November 2, 2012)<br>Pantaloon Retail (India) Limited (upto September 28, 2012) |
| Fellow subsidiaries | Future Media (India) Limited (upto September 28, 2012)<br>Future E-Commerce Infrastructure Limited (upto September 28, 2012)<br>Future Knowledge Services Limited (upto September 28, 2012)<br>Future Value Retail Limited (upto September 28, 2012)<br>Home Solutions Retail India Limited (upto September 28, 2012)<br>Dayside Investment Ltd |
| Key Management Personnel | Mr. V. Vaidyanathan - Chairman and Managing Director |
| Enterprises significantly influenced by key management personnel | JV & Associates LLP |

Refer Annexure 1 and 1A for the transactions with related parties.

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35. **Finance Leases**

In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on March 31, 2013 and March 31, 2012 are as under:

(Rs. in Lakhs)

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Gross investment in lease | 215.64 | 160.42 |
| Less: Unearned finance Income | 8.04 | 23.32 |
| MLP Receivables | **207.60** | **137.10** |

Maturity Pattern of the Gross Investments in lease/ Present Value of MLP Receivables:

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|---|---|
| Gross investment for each of the following years: | | |
| ☐ Not later than one year | 205.53 | 95.44 |
| ☐ Later than one year and not later than five years | 10.11 | 64.98 |
| | **215.64** | **160.42** |
| Present value of minimum lease payment for each of the following years: | | |
| ☐ Not later than one year | 198.24 | 78.71 |
| ☐ Later than one year and not later than five years | 9.35 | 58.39 |
| | **207.59** | **137.10** |
| Un matured finance charges | Nil | Nil |
| Un guaranteed residual value accruing to the benefit of lessor | Nil | Nil |
| Accumulated provision for minimum lease payment receivable | Nil | Nil |

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36. **Operating Leases**

**a. Payments**

The Group's significant leasing arrangements in respect of operating leases are for premises (residential and office) and vehicle which are renewable on mutual consent at agreed terms. Certain agreements provide for cancellation by either party or certain agreements contains clause for escalation and renewal of agreements. The non-cancellable operating lease agreements are ranging for a period 36 to 60 months. There are no sub leases.

The aggregate lease rentals payable are charged to the statement of profit and loss.

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Lease payments recognised in the statement of profit and loss | 1,567.80 | 1,253.17 |

Details of non-cancellable leases are as follows:

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| **Minimum Lease Payments:** | | |
| Not later than one year | 693.41 | 476.11 |
| Later than one year but not later than five years | 1,782.83 | 673.69 |
| Later than five years | - | - |

**b. Receipts**

The Group owns immovable property at Mumbai, which has been given to various lessees on a leave and license basis. Primary lease in respect of these arrangements is of 60 months, subject to mutual agreement between the Lessor and the Company.

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Lease income recognised in the statement of profit and loss | - | 499.75 |
| | | |
| **Minimum Lease Payments:** | | |
| Not later than one year | - | - |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |

**c. Sub-lease**

The Group's sub leasing arrangements in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rental income recognized in the statement of profit and loss is as follows:

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Lease income recognised in the statement of profit and loss | - | 0.60 |

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37. **Deferment of loan origination cost, borrowing cost, processing fees and subvention income**

a. Loan origination cost

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Total loan origination cost deferred | 4,663.56 | 3,462.91 |
| Cost amortised and charged to statement of profit and loss during the year | 1,964.34 | 1,797.36 |
| Unamortised cost shown into balance sheet : | | |
| Current | 1,368.44 | 584.65 |
| Non-current | 3,469.82 | 1,554.39 |

b. Borrowing cost

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Total borrowing cost deferred | 2,172.03 | Nil |
| Cost amortised and charged to statement of profit and loss during the year | 294.47 | Nil |
| Unamortised borrowing cost shown into balance sheet : | | |
| Current | 471.82 | Nil |
| Non-current | 1,405.74 | Nil |

c. Processing fees and subvention income

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| Total unamortised income from processing fees/ subvention income deferred | 7,423.54 | 3,026.55 |
| Income amortised and credited during the year to : | | |
| - Fee income | 1,512.03 | 1,201.09 |
| - Interest income | 1,876.01 | 616.95 |
| Unamortised processing fees/ subvention income shown into balance sheet: | | |
| Current | 2,838.39 | 604.37 |
| Non-current | 2,893.21 | 1,091.73 |

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38. The Group sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

(Rs. in Lakhs)

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|
| No. of loan assets assigned | 748 | 4,539 |
| Book value of loan assets directly assigned | 57,587.02 | 146,574.51 |
| Sale consideration received | 57,587.02 | 154,980.42 |
| Income on account of direct assignment (net) | 2,920.85 | 7,052.69 |
| Outstanding credit enhancement – Fixed Deposit | 16,667.10 | 13,766.14 |

The information on assignment of the Company as an originator in respect of outstanding amount of assigned assets is given below:

(Rs. in Lakhs)

| Sl. No. | Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|---|---|---|
| 1 | No of SPVs sponsored by the bank for assignment transactions | NA | NA |
| 2 | Total amount of assigned assets as per books of the SPVs sponsored by the bank | NA | NA |
| 3 | Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet | | |
| | a) Off-balance sheet exposures | | |
| | • First loss | - | - |
| | • Others | - | - |
| | b) On-balance sheet exposures | | |
| | • First loss | - | - |
| | • Others | 2,018.47 | - |
| 4 | Amount of exposures to assignment transactions other than MRR | | |
| | a) Off-balance sheet exposures | | |
| | | | |
| | *i) Exposure to own assignments* | | |
| | • First loss | NA | NA |
| | • Others | NA | NA |
| | | | |
| | *ii) Exposure to third party assignments* | | |
| | • First loss | NA | NA |
| | • Others | NA | NA |
| | b) On-balance sheet exposures | | |
| | | | |
| | *i) Exposure to own assignments* | | |
| | • First loss | NA | NA |
| | • Others | NA | NA |
| | | | |
| | *ii) Exposure to third party assignments* | | |
| | • First loss | NA | NA |
| | • Others | NA | NA |

Note: As the circular No. DNBS. PD. No. 301/3.10.01/2012-13 is effective from August 21, 2012, hence assignment done after circular date are consider for disclosure purpose only.

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39. The Board at its Meeting held on 4th June, 2012 had approved the execution of Share Purchase Agreement (SPA) with Pantaloon Retail (India) Limited, Future Value Retail Limited, Mr. Kishore Biyani and Cloverdell Investment Ltd ("Cloverdell") and also the execution of Share Subscription Agreement (SSA) with Cloverdell pursuant to which open offer was also proposed by Cloverdell. Consequently, the Board of Directors at its Meeting held on September 28, 2012 allotted 3,086,420, 0.01% Compulsorily Convertible Preference Shares ('CCPS') each convertible into equal number of equity shares of the Company of Rs.10/- each, at the premium of Rs.152/- each and 3,086,420 Equity Shares of Rs.10/- each, at the premium of Rs.152/- each to Cloverdell Investment Limited on preferential basis.
The Compulsorily Convertible Preference Shares were converted to 3,086,420 equity shares of Rs.10/- each fully paid up at a premium of Rs. 152 per share vide Board resolution passed by circulation on March 14, 2013.

40. The Company has started recognising deferred tax asset on provision for standard assets and unamortised fees and deferred tax liability on loan origination cost from the current year. An amount of Rs. 174.74 lakhs (Previous year – Rs. NIL) (net credit) in the current year is towards the same.

41. During the year ended March 31, 2012, Capital First Investment Advisors Limited *(formerly known as Kshitij Investment Advisory Company Limited)* ('KIACL'), wholly owned subsidiary of the Company, had filed a petition with the Bombay High Court for the purpose of Amalgamation (in the nature of merger) of FCH Securities & Advisory Services Limited and Future Capital Investment Advisors Limited with KIACL. KIACL has obtained approval from the Bombay High Court on April 13, 2012 for the scheme of Amalgamation which was filed with the Registrar of Company ('ROC') on June 02, 2012. Accordingly, the Scheme has been given effect in the books of accounts in the current year. The said scheme became effective from June 2, 2012 but operative with retrospective effect from April 1, 2011, the appointed date.

42. During the previous year, the Company had allotted 10,000,000 share warrants pursuant to the approval of Members at the Extra Ordinary General Meeting held on August 27, 2010. These share warrants were convertible into equal number of equity shares at the option of the holder within 18 months from the date of allotment. As per SEBI (ICDR) guidelines, the Company had received upfront money as advance from the allotees. Since the holders of the option did not exercise the option to convert the share warrants into equity shares, the entire share warrant application money has been transferred to Capital Reserve.

43. As per the Guidance Note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, the group has adjusted the Share Capital by Rs. 60.97 lakhs (Previous year: Rs. 30.00 lakhs) and Securities Premium by Rs. 1,457.38 lakhs (Previous year: Rs. 1,096.35 lakhs) in respect of 609,713 (Previous year: 300,000) shares held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

44. During the year ended March 31, 2013, the Group has changed its policy related leave encashment. The outstanding leave balances as at March 31, 2013 will not be carried forward and leave balance up to a maximum of 36 days will be paid to the employees based on their basic salary. Going forward, all the earned leave during the financial year and remaining unutilized will be encashed at the year-end based on basic salary. Consequent to the change in policy, the profit for the year ended is lower by Rs. 8.66 lakhs.

45. During the year ended March 31, 2013, the Company had noticed fraud in respect of Gold loans involving collusion with employees of the Company who had availed loans and embezzled loans aggregating to Rs. 405.51 lakhs from the Company on the basis of fraudulent documents and gold. The Company has initiated legal proceedings for recovery of the said amount against the said customers and employees from whom gold was seized but the gold is still lying with police custody. The company has also filed an insurance claim for claiming the loss. During the current year ended March 31, 2013, the Company has written off loan amount aggregating to Rs. 405.51 lakhs which was fully provided in earlier quarters.

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**Notes to the Consolidated Financial Statements for the year ended March 31, 2013**

46. The current year accounts of Anchor Trading and Investments Private Limited are unaudited and the financial statements as certified by the Management, have been considered in these consolidated financial statements.

47. Figures for previous year have been regrouped/ rearranged wherever necessary, to conform to current year's classification.

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**As per our report of even date**
S R Batliboi & Co. LLP
**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

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

Place: Mumbai
Date: May 27, 2013

**For and on behalf of the Board of Directors of**

**Capital First Limited**
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**
Chairman & Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date: May 27, 2013

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

**Capital First Limited**

(Formerly known as Future Capital Holdings Limited)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013**

**Annexure 1**

**Transactions with Related parties**

*Rs. in Lakhs*

| Relationship | Holding Company | | Fellow Subsidiaries | | Key Management Personnel | |
|---|---|---|---|---|---|---|
| **Year** | **2012-13** | **2011-12** | **2012-13** | **2011-12** | **2012-13** | **2011-12** |
| Purchase of goods/services | - | 220.42 | 14.53 | 26.84 | - | - |
| Rent/ Lease rent paid | 23.06 | - | 8.06 | - | - | - |
| Interest received | - | - | - | 147.07 | - | - |
| Subvention Income Received | 52.45 | 0.85 | 23.76 | 319.13 | - | - |
| Loans Given | - | - | - | 550.00 | - | - |
| Loans Repaid | - | - | - | 550.00 | - | - |
| Directors Remuneration | - | - | - | - | 386.03 | 29,783.20 |
| | | | | | | |
| **Closing Balances : Receivable / (Payable)** | | | | | | |
| Advances Recoverable / (Payable ) | - | 3.42 | - | 75.37 | - | - |

S. R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

| | | |
|---|---|---|
| **Capital First Limited** | | |
| (Formerly known as Future Capital Holdings Limited) | | |
| | | |
| **Transactions with Related parties** | | |
| **Annexure 1A** | | |
| **Disclosures of Related party transactions more than 10%** | | |
| | | *Rs. in Lakhs* |
| **Name of the Party** | **For the year ended March 31, 2013** | **For the year ended March 31, 2012** |
| **Purchase of Goods/services** | | |
| Pantaloon Retail (India) Limited | - | 220.42 |
| Future E- Commerce Infrastructure Limited | 14.53 | 5.09 |
| Home Solutions Retail (India) Limited | - | 17.56 |
| | | |
| **Rent/ Lease Rent paid** | | |
| Pantaloon Retail (India) Limited | 23.06 | - |
| Future Value Retail Limited | 8.06 | - |
| | | |
| **Interest received** | | |
| Future Value Retail Limited | - | 147.07 |
| | | |
| **Subvention Income Received** | | |
| Pantaloon Retail (India) Limited | 52.45 | - |
| Future Value Retail Limited | 23.76 | 317.19 |
| | | |
| **Loans Given** | | |
| Future Value Retail Limited | - | 5,500.00 |
| | | |
| **Loans Repaid** | | |
| Future Value Retail Limited | - | 5,500.00 |
| | | |
| **Managerial Remuneration** | | |
| Mr. V. Vaidyanathan | 386.03 | 317.30 |
| | | |
| **Closing Balances:** | | |
| | | |
| **Advances recoverable in cash or kind/ (Sundry creditors) (net)** | | |
| Future Value Retail Limited | - | 64.11 |

S. R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

**Information on the financials of the subsidiary companies for the year ended March 31, 2013**
[Prepared in compliance with the requirements of the exemption letter(s) of the Ministry of Corporate Affairs, Government of India]

*Rs. in Lakhs*

| Name of the Subsidiary Company | Myra Mall Management Company Limited (Note 3 below) | Capital First Investment Advisory Limited (formerly known as Kshitij Investment Advisory Company Limited) * | Future Finance Limited ** | Capital First Commodities Limited (formerly known as Future Capital Commodities Limited) | Capital First Home Finance Private Limited (formerly known as Future Capital Home Finance Private Limited) | Capital First Securities Limited (formerly known as Future Capital Securities Limited) | Anchor Trading & Investment Private Limited |
|---|---|---|---|---|---|---|---|
| The financial year of subsidiary ended on | March 31, 2013 | March 31, 2013 | March 31, 2013 | March 31, 2013 | March 31, 2013 | March 31, 2013 | December 31, 2012 |
| Capital | - | 600.59 | - | 2,832.50 | 3,627.50 | 6,735.56 | 7.75 |
| Reserves | - | 2,780.40 | - | 17.81 | 120.45 | (2,916.14) | 1,659.76 |
| Total assets | - | 3,635.94 | - | 3,954.59 | 3,784.32 | 7,314.21 | 2,500.01 |
| Total liabilities | - | 254.95 | - | 1,104.28 | 36.37 | 3,494.79 | 832.50 |
| Investments (except in case of investment in subsidiaries) | - | 110.71 | - | - | - | - | - |
| Turnover | 192.15 | 378.79 | 151.50 | 525.51 | 208.69 | 936.88 | 680.09 |
| Profit/ (Loss) before tax | (104.65) | 122.81 | 138.38 | 46.86 | 167.92 | (472.03) | (145.51) |
| Provision for tax | - | 16.31 | 58.41 | 20.18 | 34.00 | - | 14.92 |
| Profit/ (Loss) after tax | (104.65) | 106.50 | 79.97 | 26.68 | 133.92 | (472.03) | (160.43) |
| Proposed dividend | - | - | - | - | - | - | - |

* Refer note no. 41
** Refer note no. 22 (ii)

Notes:

1. Ministry of Corporate Affairs (MCA) has vide its letter No. 47/91/2011-CL-III dated February 8, 2011, read with General Circular No. 2/2011 dated February 8, 2011 and General Circular No. 3/2011 dated February 21, 2011, has exempted the Company from attaching to its Balance Sheet, certain information in respect of its subsidiaries specified in Section 212(1) of the Companies Act, 1956.

2. The annual accounts of the subsidiary companies are available for inspection at the Registered Office of the Company

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

CAPITAL FIRST LIMITED

S.R. BATLIBOI & CO.
Chartered Accountants

6th Floor, Express Towers
Nariman Point
Mumbai-400 021, India
Tel: +91 22 6657 9200
Fax: +91 22 2287 6401

## Auditor's Report

**To the Members of Future Capital Holdings Limited**

1. We have audited the attached consolidated balance sheet of **Future Capital Holdings Limited** as at 31st March 2012, the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Future Capital Holdings Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of Rs. 179,200,470 as at 31st March 2012, the total revenue of Rs.151,963,284 and cash inflow amounting to Rs.141,114,105 for the year then ended. The financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Future Capital Holdings Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Future Capital Holdings Limited as at 31st March 2012;

(b) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No.: 102102
Place: Mumbai
Date: May 29, 2012

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

| Particulars | Notes | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 3 | 644,984,840 | 647,834,840 |
| Reserves and Surplus | 4 | 7,670,734,399 | 6,228,895,322 |
| Money received against share warrants | | - | 592,500,000 |
| | | **8,315,719,239** | **7,469,230,162** |
| **Share application money pending allotment** | | - | 1,530,000 |
| **Non - current liabilities** | | | |
| Long term borrowings | 5 | 27,203,360,796 | 11,414,339,485 |
| Other long term liabilities | 6 | 133,685,342 | 430,725,759 |
| Long term provisions | 7 | 940,998,180 | 75,756,043 |
| | | **28,278,044,318** | **11,920,821,287** |
| **Current Liabilities** | | | |
| Short term borrowings | 8 | 11,522,351,255 | 12,295,983,577 |
| Trade payables | 9 | 421,093,213 | 322,039,291 |
| Other current liabilities | 10 | 7,948,729,079 | 3,873,916,798 |
| Short term provisions | 11 | 365,094,004 | 511,916,430 |
| | | **20,257,267,551** | **17,003,856,096** |
| **TOTAL** | | **56,851,031,108** | **36,395,437,545** |
| **ASSETS** | | | |
| **Non - current assets** | | | |
| Fixed Assets | 12 | | |
| - Tangible assets | | 247,155,080 | 86,318,192 |
| - Intangible assets | | 38,320,448 | 25,061,749 |
| - Capital work in process | | 20,100,832 | - |
| - Intangible assets under development | | 14,037,500 | - |
| - Goodwill on Consolidation | | 79,866,437 | 86,723,243 |
| | | **399,480,297** | **198,103,184** |
| Non - current investments | 13 | 2,754,653,553 | 768,097,620 |
| Deferred tax assets (Net) | 14 | 69,192,836 | 60,473,072 |
| Long term loans and advances | 15 | 26,752,530,825 | 19,380,003,531 |
| Other non current assets | 16 | 2,231,320,947 | 364,612,010 |
| | | **32,207,178,458** | **20,771,289,417** |
| **Current Assets** | | | |
| Current Investments | 17 | 576,530,041 | 2,530,480,365 |
| Trade receivables | 18 | 563,870,371 | 166,076,338 |
| Cash and bank balance | 19 | 5,091,967,447 | 3,494,094,771 |
| Short term loans and advances | 20 | 17,713,102,506 | 9,173,613,847 |
| Other current assets | 21 | 698,382,285 | 259,882,807 |
| | | **24,643,852,650** | **15,624,148,128** |
| **TOTAL** | | **56,851,031,108** | **36,395,437,545** |

Summary of significant accounting policies 2.1
The accompanying notes are an integral part of the Financial Statements

As per our report of even date

**For S.R. Batliboi & Co.**
Firm Registration No. 301003E
Chartered Accountants

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

Place: Mumbai
Date: May 29, 2012

**For and on behalf of the Board of Directors of**
**Future Capital Holdings Limited**

**Kishore Biyani**
Chairman

**V. Vaidyanathan**
Vice-Chairman &
Managing Director

**Ashok Shinkar**
Head-Corporate Center &
Chief Financial Officer

**Chetan Gandhi**
Head-Legal & Secretarial

Place: Mumbai
Date: May 29, 2012

FUTURE CAPITAL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

| Particulars | Notes | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|---|
| Revenue from Operations | 22 | 7,401,462,454 | 3,728,196,918 |
| Other Income | 23 | 35,983,238 | 286,944,849 |
| **Total revenue** | | **7,437,445,692** | **4,015,141,767** |
| **Expenses** | | | |
| Employee benefits expense | 24 | 868,414,619 | 478,750,712 |
| Finance costs | 25 | 3,976,974,890 | 1,887,478,374 |
| Depreciation and amortization expense | 26 | 54,862,286 | 42,402,339 |
| Other expenses | 27 | 1,021,255,815 | 767,937,809 |
| **Total Expenses** | | **5,921,507,610** | **3,176,569,234** |
| **Profit before tax** | | **1,515,938,082** | **838,572,533** |
| **Tax expense:** | | | |
| - Current tax | | 465,918,358 | 315,113,005 |
| - Deferred tax | | (8,719,764) | 32,250,774 |
| - Tax for earlier years | | 431,310 | - |
| | | 457,629,904 | 347,363,779 |
| **Profit for the year** | | **1,058,308,178** | **491,208,754** |
| **Earning per equity share:** | 28 | | |
| - Basic | | 16.33 | 7.64 |
| - Diluted | | 16.33 | 7.63 |

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the Financial Statements

As per our report of even date

**For S.R. Batliboi & Co.**
Firm Registration No. 301003E
Chartered Accountants

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

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: May 29, 2012

**For and on behalf of the Board of Directors of Future Capital Holdings Limited**

**Kishore Biyani**
Chairman

**V. Vaidyanathan**
Vice-Chairman &
Managing Director

**Ashok Shinkar**
Head-Corporate Center &
Chief Financial Officer

**Chetan Gandhi**
Head-Legal & Secretarial

Place: Mumbai
Date: May 29, 2012

FUTURE CAPITAL HOLDINGS LTD. MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

*Amount in Rupees*

| | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| **Cash Flow From Operating Activities** | | |
| Profit/(Loss) before tax | **1,515,938,082** | **838,572,533** |
| Adjustments for : | | |
| Depreciation/ amortisation | 54,862,286 | 42,402,339 |
| Preliminary expenses written off | 161,676 | 161,600 |
| Bad loans and trade receivables written off | 70,702,762 | 28,546,730 |
| Provision for doubtful loans and advances | 10,526,241 | 23,233,832 |
| Provision for diminution in value of investments | 95,000,000 | |
| Provision for standard assets | 49,051,000 | 74,101,000 |
| Goodwill written off | 6,856,806 | |
| Loss on sale of fixed assets | 5,485,133 | 1,564,365 |
| Provision for gratuity and leave encashment | 14,598,871 | 3,358,516 |
| Fixed Assets written off | 602,883 | - |
| Profit on sale of investments | - | (250,136,882) |
| Write back of provision | - | (20,550,558) |
| Profit and Loss Account balance on inclusion of subsidiary in consolidation | - | (121,641,023) |
| Exchange fluctuation | - | (874,010) |
| | 307,847,658 | (219,834,091) |
| **Operating Profit Before Working Capital Changes** | **1,823,785,740** | **618,738,442** |
| Adjustment for changes in working capital: | | |
| (Increase)/ Decrease in Trade Receivables | (397,794,033) | 232,519,152 |
| (Increase)/ Decrease in Loans and Advances | (2,301,620,090) | (197,581,847) |
| (Increase)/ Decrease in Other Assets | (16,082,832,515) | (14,395,026,392) |
| Increase/ (Decrease) in Trade payables and other liabilities | 4,498,748,617 | 1,444,495,715 |
| Cash used in operations | (12,459,712,281) | (12,296,854,930) |
| Preliminary expenses incurred | - | (808,000) |
| Direct taxes paid (net of refund) | (484,144,942) | (319,580,319) |
| **Net Cash used in Operating Activities** | **(12,943,857,223)** | **(12,617,243,249)** |
| **Cash Flow From Investing Activities** | | |
| Purchase of Fixed Assets including intangible assets and Capital Work in progress | (224,168,873) | (67,305,897) |
| Sale proceeds from fixed assets | 4,855,814 | 245,011 |
| Sale proceeds from investments | 2,522,650,324 | 3,100,108,346 |
| Purchase of investments | (2,660,306,880) | (2,358,665,245) |
| **Net Cash generated from/ (used in) Investing Activities** | **(356,969,615)** | **674,382,215** |
| **Cash Flow from Financing Activities** | | |
| Proceeds from issue of Equity Share Capital | - | 12,555,000 |
| Proceeds from Securities Premium on issue of Equity Share Capital | - | 156,166,000 |
| Proceeds from issue of Share Warrants | - | 592,500,000 |
| Payment of share issue expenses | - | (55,645,000) |
| Payment of dividend | (97,175,226) | (63,307,806) |
| Payment of dividend tax | (15,764,251) | (10,796,581) |
| Proceeds from borrowings | 20,222,386,955 | 16,775,306,073 |
| Repayment of borrowings | (5,206,997,965) | (2,291,259,646) |
| **Net Cash From Financing Activities** | **14,902,449,513** | **15,115,518,040** |
| **Net Increase in Cash and Cash Equivalents during the year** | **1,601,622,675** | **3,172,657,006** |
| Cash and Cash equivalents at beginning of the year | 3,454,344,772 | 281,687,766 |
| **Cash and Cash equivalents at the end of the year** | **5,055,967,447** | **3,454,344,772** |

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

*Amount in Rupees*

| | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **Cash and Cash equivalents comprises of :** | | |
| Cash in Hand | 103,061,770 | 16,596,076 |
| Balance with Banks | | |
| - in unpaid dividend accounts | 597,958 | 220,178 |
| - in unpaid share application money | 2,311,621 | 2,311,621 |
| - on current account | 4,949,996,098 | 3,435,216,897 |
| **Total** | **5,055,967,447** | **3,454,344,772** |

**Notes:**

Cash and cash equivalents in the balance sheet comprise cash at bank, cash in hand and short term investments with an original maturiy of three months or less.

As per our report of even date

**For S.R. Batliboi & Co.**
**Firm Registration no. 301003E**
**Chartered Accountants**

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

Place: Mumbai
Date: May 29, 2012

**For and on behalf of the Board of Directors of**
**Future Capital Holdings Limited**

**Kishore Biyani**
Chairman

**V. Vaidyanathan**
Vice Chairman & Managing Director

**Ashok Shinkar**
Head-Corporate Center &
Chief Financial Officer

**Chetan Gandhi**
Head-Legal & Secretarial

Place: Mumbai
Date: May 29, 2012

## 1. NATURE OF OPERATIONS

a) The consolidated financial statements of Future Capital Holdings Limited (the 'Company') and its subsidiary companies (hereinafter collectively referred to as (the 'Group') are prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1956 (the 'Act').

b) **Basis of preparation**

The Consolidated Financial Statements ('CFS') are prepared in accordance with Accounting Standard ('AS') 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 except for the accounting of the effects of the Scheme, which has been done in accordance with the terms of the Scheme as approved by the High Court and the relevant provisions of the Companies Act, 1956 ('the Act'). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis except for dividend from mutual fund units and valuation of unquoted units of mutual funds, which is in accordance with Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Direction 2007 ('NBFC Regulation'). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the change in Accounting Policy explained in Point No 2.1 (a).

c) **Principles of consolidation**

i. The financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealized profits/losses have been fully eliminated.

ii. The subsidiary companies considered in the presentation of the consolidated financial statements are:

| Particulars | Country of incorporation | Proportion of ownership interest as at March 31, 2012 | Proportion of ownership interest as at March 31, 2011 | Financial year ends on |
|---|---|---|---|---|
| **a) Subsidiaries :** | | | | |
| Kshitij Investment Advisory Company Limited | India | 100% | 100% | March 31 |
| Future Capital Investment Advisors Limited | India | 100% | 100% | March 31 |
| Myra Mall Management Company Limited | India | 100% | 100% | March 31 |
| FCH Securities and Investment Limited | India | 100% | 100% | March 31 |
| Future Hospitality Management Limited # | India | NA | 100% | March 31 |
| Future Finance Limited | India | 100% | 100% | March 31 |
| Kshitij Property Solutions Private Limited # | India | NA | 100% | March 31 |
| Future Capital Commodities Limited *(formerly Axon Development Solutions Limited)* | India | 100% | 100% | March 31 |
| Anchor Trading and Investments | Mauritius | 100% | 100% | December |

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

| | | | | |
|---|---|---|---|---|
| Private Limited | | | | 31 |
| Future Capital Home Finance Private Limited | India | 100% | 100% | March 31 |
| Future Capital Securities Limited *(formerly FCH Centrum Wealth Managers Limited)* | India | 100% | 100% | March 31 |

For the purpose of consolidated financial statements, the results of FCH and its subsidiaries for the year ended March 31, 2012 have been derived from the respective Company's audited financials of the year ended March 31, 2012

# Subsidiary sold during the year.

**2. Goodwill on consolidation**

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the consolidated financial statements as goodwill/ capital reserve. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment

**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Change in Accounting Policy**

Presentation and Disclosure of Financial Statements:

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

As per the Guidance Note issued by the Chartered Accounts of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly during the year, the Group has reduced the Share Capital by Rs. 3,000,000 and Securities Premium by Rs. 109,635,000 in respect of 300,000 shares held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

b) **Current/ Non Current classification of assets and liabilities**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as up to twelve months for the purpose of current – Non Current classification of assets and liabilities.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

c) **Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

d) **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

Leasehold improvements are depreciated on straight line basis over primary period of lease agreements.

e) **Intangible fixed assets**

Intangible assets include domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives ranging from 5-10 years.

f) **Depreciation**

Depreciation is provided using Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

Tangible assets and intangible assets costing Rs 5,000 or less individually are fully depreciated / amortized in the year of purchase.

g) **Leases**

**Operating Lease**

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

**Finance Lease**

***Where the Group is the lessee***

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

***Where the Group is the lessor***

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

h) **Loans**

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

i) **Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized 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 at the weighted average cost of capital.

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.

j) **Investments**

Investments that are readily realisable and 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. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value.

**Investment Property**

An investment in land or buildings, which is not intended to be occupied substantially for use, or in the operations of, the Company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any.

The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the investment property to its working condition for the intended use.

Depreciation on building component of investment property is calculated on straight line basis at the rates prescribed under the Schedule VI of the Companies Act, 1956.

On disposal of an investment, the difference between its carrying cost amount and net disposal proceeds is charged or credited to the statement of profit and loss.

k) **Commercial Papers**

Commercial paper is recognised at redemption value net of unamortized finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

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l) **Foreign currency transactions**

(i) *Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

m) **Revenue recognition**

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

**Interest income**
Interest income from loans is accounted for by applying interest rate implicit in the contract.

In case of non performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

**Income on discounted instruments**
Income on discounted instruments is recognised over the tenor of the instrument on straight line basis.

**Fee income**
Fee income on wholesale loans is recognised as and when they are due.

Fee income on retail loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed / transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure / transfer through assignment.

**Commission and brokerage income**
Commission and brokerage income is recognised as and when they are due.

**Income from distribution of products**
Income from distribution on various products is accounted on the basis of procurements undertaken during the period with a reasonable estimate towards the trail fees

**Income from Assignment of loans and receivables**
In case of assignment of loans, the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration received as reduced by the estimated provision for loss/ expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

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**Dividend income**
Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

**Lease Rental and Amenities**
Lease rentals are recognized as an income in the profit and loss account on a straight line basis over the primary lease period, net of service tax.

Amenities charges are recognized in accordance with the arrangements entered into with the lessees, net of service tax.

**Profit/ Loss on sale of investments**
Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

n) **Preliminary Expenses**

Preliminary expenses are charged to profit and loss account over a period of five year from the year in which it is incurred.

o) **Retirement and other employee benefits**

**Gratuity**

The Group provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The 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.

In case of funded liability the Group makes contribution to a scheme administered by the Life Insurance Corporation of India ("LIC") and Future Generali India Life Insurance Company Limited to discharge the gratuity liability to employees.

**Leave Encashment**

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

p) **Borrowing costs**

Borrowing costs consists of interest and other cost that an entity incurs in connection with borrowing of funds. Borrowing costs are recognized as an expense in the period in which these are incurred.

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q) **Loan origination cost**

Loan origination costs such as credit verification, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the contractual tenor of the loan agreements. Full month's amortization is done in the month of booking of loan. The unamortized balance is being disclosed as part of loans and advances. However, if the case is foreclosed or transferred through assignment, the unamortised portion of the loan acquisition costs is recognised as charge to the Statement of Profit and Loss at the time of such foreclosure.

r) **Income taxes**

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change. 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. In situation where the Group has unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group 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 certain or virtually certain, as the case may be, that sufficient future taxable income will be available

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

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s) **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 Companies Prudential Norms (Reserve Bank) Directions, 2007. Delinquencies on assets securitized / assigned are provided for based on management estimates of the historical data.

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

The Group accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming non performing, its recognition as such and realization of available security, following provisions and write off are made against overdue retail loans as under:

| **Particulars** | **2011- 12** | **2010-11** |
|---|---|---|
| ***All Retail loans other than loan against property*** | | |
| 90 days overdue | 10% provision | 10% provision |
| 120 days overdue | 33% provision cumulative | 33% provision cumulative |
| 150 days overdue | 66% provision cumulative | 66% provision cumulative |
| 180 days overdue | 100% write off | 100% write off |
| Loss Assets | 100% write off | 100% write off |
| | | |
| ***Loans against Property*** | | |
| 90 days overdue | 10% provision | 10% provision |
| 180 days overdue | 33% provision cumulative | 33% provision cumulative |
| 360 days overdue | 66% provision cumulative | 66% provision cumulative |
| 720 days overdue | 100% write off | 100% write off |
| Loss Assets | 100% write off | 100% write off |

*Provision on other than Retail loans*
Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

t) **Employee Stock Option Scheme ('ESOS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

u) **Segment Reporting Policies**

*Identification of segments*
The Group has organized its operations into four major businesses: Investment Advisory Services, Wholesale credit & Treasury services, Retail Financial Services and Others. The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

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*Unallocated items*
It includes income and expense items which are not allocated to any business segment.

*Segment Policies*
The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

v) **Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

w) **Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

x) **Contingent liabilities**

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

y) **Cash and Cash Equivalent**

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank including fixed deposit with original maturity period of three months and short term highly liquid investments with an original maturity of three months or less.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

**3 Share Capital:**

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **Authorized:** | | |
| 113,000,000 (Previous Year: 113,000,000) Equity shares of Rs. 10/- each | 1,130,000,000 | 1,130,000,000 |
| | **1,130,000,000** | **1,130,000,000** |
| **Issued, subscribed and fully paid up:** | | |
| 64,798,484 (Previous Year: 64,783,484) Equity shares of Rs. 10/- each | 647,984,840 | 647,834,840 |
| Less: 300,000 shares issued to FCH Employee Welfare Trust but not alloted to Employees (Refer Note 2.1 (a)) | (3,000,000) | - |
| | **644,984,840** | **647,834,840** |

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

| | As at March 31, 2012 | | As at March 31, 2011 | |
|---|---|---|---|---|
| | Number | Rs. | Number | Rs. |
| At the beginning of the reporting period | 64,783,484 | 647,834,840 | 63,527,984 | 635,279,840 |
| Issued during the reporting period-Employees Stock Option Scheme (Refer Note 31) | 15,000 | 150,000 | 1,255,500 | 12,555,000 |
| Bought back during the reporting period | - | - | - | - |
| At the close of the reporting period | **64,798,484** | **647,984,840** | **64,783,484** | **647,834,840** |

b. Terms / Rights attached to Equity Shares:
The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of 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 number of equity shares held by the shareholders.

c. Shares held by the holding company:

| | As at March 31, 2012 | | As at March 31, 2011 | |
|---|---|---|---|---|
| | Number | Rs. | Number | Rs. |
| Pantaloon Retail (India) Limited | 34,779,999 | 347,799,990 | 34,779,999 | 347,799,990 |

d. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

| | As at March 31, 2012 | | As at March 31, 2011 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Pantaloon Retail (India) Limited | 34,779,999 | 53.67% | 34,779,999 | 53.67% |
| Kishore Biyani | 1,700,000 | 2.62% | 4,773,795 | 7.37% |

| | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| e. Securities convertible into equity shares: | | |
| Share Warrants | | |
| Earliest date of conversion (Refer Note 39) | NA | March 29, 2012 |
| f. Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment (Refer Note 31) | 2,578,500 | 1,378,500 |
| g. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceeding the reporting date. | Nil | Nil |

| | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **4 Reserves and Surplus:** | | |
| **Capital Reserve** | | |
| Balance as last Balance Sheet | - | - |
| Add : Transferred during the year (Refer Note 39) | 592,500,000 | - |
| | **592,500,000** | - |
| **Statutory Reserve under Section 45-IC of the RBI Act** | | |
| Balance as last Balance Sheet | 244,354,789 | 124,712,830 |
| Add : Transferred from profit and loss account | 186,338,803 | 119,641,959 |
| | **430,693,592** | **244,354,789** |
| **Securities Premium Account** | | |
| Balance as per last Balance Sheet | 6,315,984,827 | 6,617,435,895 |
| Add : Received during the year (Refer Note 31) | 1,380,000 | 156,166,000 |
| Less : Debenture issue expenses | - | (55,645,000) |
| Less : Amalgamation adjustments (Refer Note 42) | - | (401,972,068) |
| Less: 300,000 shares issued to FCH Employee Welfare Trust but not alloted to Employees (Refer Note 2.1 (e)) | (109,635,000) | - |
| | **6,207,729,827** | **6,315,984,827** |
| **Foreign Exchange Fluctuation Reserve** | **12,251,526** | - |
| **General Reserve** | | |
| Balance as per last Balance Sheet | 27,630,412 | - |
| Add : Transferred from profit and loss account | 46,096,339 | 27,630,412 |
| | **73,726,751** | **27,630,412** |
| **Surplus/ (Deficit) in the Statement of Profit and Loss** | | |
| Balance as per last Balance Sheet | (359,074,706) | (468,430,589) |
| Adjustment on account of joint venture/ subsidiary included in consolidation | - | (121,641,023) |
| | **(359,074,706)** | **(590,071,612)** |
| Add: Profit for the year | 1,058,308,178 | 491,208,754 |
| Less: Appropriations: | | |
| Transfer to statutory reserve under section 45-IC of the Reserve Bank of India ('RBI') Act, 1934 | (186,338,803) | (119,641,959) |
| Proposed dividend | (97,197,726) | (97,175,226) |
| Dividend tax thereon | (15,767,901) | (15,764,251) |
| Transfer to general reserve | (46,096,339) | (27,630,412) |
| | **353,832,702** | **(359,074,706)** |
| | **7,670,734,399** | **6,228,895,322** |

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**5 Long term Borrowings**

*Amounts in Rupees*

| Particulars | Non Current Portion | | Current Maturities* | |
|---|---|---|---|---|
| | As at March 31, 2012 | As at March 31, 2011 | As at March 31, 2012 | As at March 31, 2011 |
| **Secured** | | | | |
| Redeemable Non Convertible Debentures | 5,141,000,000 | 5,141,000,000 | - | - |
| Term Loans | | | | |
| - from Banks | 20,062,360,796 | 6,273,339,485 | 5,137,500,000 | 2,525,000,000 |
| **Unsecured** | | | | |
| Term Loans | | | | |
| - from Banks (Subordinated debt) | 2,000,000,000 | - | - | - |
| | **27,203,360,798** | **11,414,339,485** | **5,137,500,000** | **2,525,000,000** |

* Amount disclosed under the head other current liabilities (Refer Note 10)

**a. Debentures**

Debentures are secured by first pari passu charge on fixed assets, first exclusive charge on certain receivables of Retail and Corporate loans.

**b. Particulars of redemption of debentures**

| Particulars | Face Value | Quantity | Date of Redemption | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|---|---|---|
| 11.25%,Tranche 2 | 1,000,000 | 1,250 | December 1, 2015 | 1,250,000,000 | 1,250,000,000 |
| 11.25%,Tranche 1 | 1,000,000 | 1,250 | October 1, 2015 | 1,250,000,000 | 1,250,000,000 |
| 10.25%,Tranche 2-A | 1,000,000 | 60 | August 31, 2015 | 60,000,000 | 60,000,000 |
| 11.00%,Tranche 2-B3 | 1,000,000 | 4 | August 31, 2015 | 4,000,000 | 4,000,000 |
| 10.25%,Tranche 1-A | 1,000,000 | 1,251 | August 16, 2015 | 1,251,000,000 | 1,251,000,000 |
| 11.00%,Tranche 1-B3 | 1,000,000 | 428 | August 16, 2015 | 428,000,000 | 428,000,000 |
| 11.00%,Tranche 2-B2 | 1,000,000 | 3 | February 28, 2015 | 3,000,000 | 3,000,000 |
| 11.00%,Tranche 1-B2 | 1,000,000 | 321 | February 16, 2015 | 321,000,000 | 321,000,000 |
| 11.00%,Tranche 2-B1 | 1,000,000 | 3 | August 31, 2014 | 3,000,000 | 3,000,000 |
| 11.00%,Tranche 1-B1 | 1,000,000 | 321 | August 16, 2014 | 321,000,000 | 321,000,000 |
| 10.35%,Tranche 1 | 1,000,000 | 250 | December 30, 2013 | 250,000,000 | 250,000,000 |
| | | | | **5,141,000,000** | **5,141,000,000** |

**c. Security Details for Term loans**

1 Term loans of Rs. 6,500,275,390 (Previous year: Rs. 3,291,666,665) is secured by way of first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary Company and corporate guarantee of the subsidiary Company to the extent of the realisable value of the collateral security.

2 Term loans of Rs.16,699,603,132 (Previous year: Rs. 2,805,283,936) is secured by way of first pari passu charge on receivables of the Company.

3 Term loans of Rs. 1,999,982,274 (Previous period: Rs. 2,000,000,000) is secured by way of first exclusive charge on priority sector lending receivables of the Company.

4 Term loan of Rs. Nil (Previous year: Rs. 701,388,884) is secured by way of hypothecation of underlying assets financed by the Company and receivables on first pari passu basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

**5 Long term Borrowings**

*Amounts in Rupees*

**d. Terms of repayment**

**Term loans from Banks -Secured**

**As at March 31, 2012**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 Months | 11.75% to 12.25% | Bullet and Quarterly Instalments | 2,949,860,796 | 750,000,000 |
| 48-60 months | 10.75% to 12.25% | Monthly and Quarterly Instalments | 15,112,500,000 | 1,387,500,000 |
| 36-48 months | 11.15% to 12.15% | Bullet, Monthly and Quarterly Instalments | 1,500,000,000 | 500,000,000 |
| 12-24 months | 11.25% | Bullet, Monthly and Quarterly Instalments | 500,000,000 | 500,000,000 |
| Upto 12 months | 11.65% | Bullet Payment on Maturity | - | 2,000,000,000 |
| **Grand Total** | | | **20,062,360,796** | **5,137,500,000** |

**As at March 31, 2011**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 months | 10.00% | 20 Quarterly Instalments | 1,000,000,000 | - |
| 48-60 months | 11.00% | 16 Quarterly Instalments | 1,000,000,000 | - |
| 36-48 months | 9.75% | Monthly and Quarterly Instalments | 555,283,936 | 250,000,000 |
| 24-36 months | 10.00% to 13.00% | Bullet, Yearly, Monthly and Quarterly Instalments | 1,600,000,000 | 400,000,000 |
| 12-24 months | 13.75% to 14.50% | Bullet, Monthly and Quarterly Instalments | 2,118,055,549 | 1,083,333,333 |
| Upto 12 months | 13.75% to 14.00% | Quarterly Instalments | - | 791,666,667 |
| **Grand Total** | | | **6,273,339,485** | **2,525,000,000** |

**Term Loan from bank- Unsecured**

**As at March 31, 2012**

| Tenor | Rate of interest | Repayment Details | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| More than 60 months | 12.20% | Bullet | 2,000,000,000 | - |
| | | | - | - |
| **Grand Total** | | | **2,000,000,000** | - |

**As at March 31, 2011**

| Tenor | Rate of interest | Repayment | Non-Current portion | Current Maturities |
|---|---|---|---|---|
| | | NA | - | - |
| | | | - | - |
| **Grand Total** | | | - | - |

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| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **6 Other Long term liabilities** | | |
| Trade Payables (Refer below for dues to micro and small enterprises) | - | - |
| Others: | | |
| Cash collateral against retail loans | 119,859 | 387,775,843 |
| Unamortised processing fees/ subvention income (Refer Note 36) | 109,173,605 | 19,029,072 |
| Security Deposits | 21,962,133 | 21,962,133 |
| Others | 2,429,745 | 1,958,710 |
| | **133,685,342** | **430,725,759** |

**Micro and Small Scale Business Entities**

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March,2012. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.

| | | |
|---|---|---|
| **7 Long term Provisions** | | |
| For standard assets (Refer Note 2.1 (s)) | 76,632,000 | 41,622,027 |
| Loan loss provision | 28,000,000 | - |
| For foreclosure/ credit loss on assignment | 826,590,312 | 29,673,049 |
| Provisions for employee benefits | | |
| - Gratuity | 9,775,868 | 4,460,967 |
| | **940,998,180** | **75,756,043** |

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**8 Short term Borrowings**

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **Secured** | | |
| Loans repayable on demand | | |
| - from banks | 7,972,835,635 | 5,177,487,930 |
| Term loans | | |
| - from others | - | 500,000,000 |
| **Unsecured** | | |
| Commercial papers | 3,549,515,620 | 6,009,976,371 |
| Loans repayable on demand | | |
| - from banks | - | 603,819,276 |
| - from others | - | 4,700,000 |
| **Total** | **11,522,351,255** | **12,295,983,577** |

**Additional Information:**

a. Cash credit of Rs. 1,497,230,909 (Previous Year: Rs. 4,677,186,559) is secured by pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.

b. Cash credit of Rs. 6,475,604,726 (Previous year: Rs. 500,301,370) is secured by way of first passu charge on receivables of the Company.

c. Term loans from others of Rs. Nil (Previous year: Rs. 500,000,000) is repayable within 1 year and secured by way of first exclusive charge on retail receivables of the Company.

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **9 Trade Payables** | | |
| To Micro, Small and Medium Enterprises (Refer below for dues to micro and small enterprises) | - | - |
| Others | 421,093,213 | 322,039,291 |
| | **421,093,213** | **322,039,291** |

**Micro and Small Scale Business Entities**

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March,2012. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.

| | | |
|---|---|---|
| **10 Other current liabilities:** | | |
| Current maturities of long term debt | 5,137,500,000 | 2,525,000,000 |
| Interest accrued but not due on borrowings | 167,119,234 | 241,732,325 |
| Interest accrued and due on borrowings | 51,142,276 | 2,919,578 |
| Income received in advance | 9,700,355 | - |
| Advance received from Customers | 92,637,576 | 3,211,268 |
| Overdrawn Book balance | 2,025,615,606 | 811,511,316 |
| Unamortised processing fees/ subvention income (Refer Note 36) | 60,436,508 | 31,855,328 |
| Unpaid dividends | 597,958 | 220,178 |
| Unpaid Share Application Money | 2,311,621 | 2,311,621 |
| Security Deposits | 3,904,611 | 888,300 |
| Other liabilities | 397,763,334 | 254,266,884 |
| | **7,948,729,079** | **3,873,916,798** |
| **11 Short term provisions:** | | |
| Provision for employee benefits | | |
| - Gratuity | 2,573,347 | 457,994 |
| - Leave encashment and availment | 11,319,608 | 4,150,991 |
| Proposed dividend | 97,197,726 | 97,175,226 |
| Dividend tax thereon | 15,767,901 | 15,764,251 |
| For standard assets | 46,520,000 | 32,478,973 |
| For foreclosure/ credit loss on assignment | 186,894,564 | 361,888,995 |
| For income tax (net of advance taxes) | 4,820,858 | - |
| | **365,094,004** | **511,916,430** |

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

12 Fixed Assets

*(Amount in Rupees)*

| Description | Gross Block | | | | | Depreciation/ amortisation | | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as on April 1, 2011 | Adjustment on account of inclusion / (exclusion) of subsidiary | Additions during the year | Deletion/ Adjustments during year | Balance as on March 31, 2012 | Balance as on April 1, 2011 | Adjustment on account of Inclusion / (exclusion) of subsidiary | For the year | Deletion/ Adjustments during year | Balance as on March 31, 2012 | Balance as on March 31, 2012 | Balance as on March 31, 2011 |
| **Tangible Assets** | | | | | | | | | | | | |
| Land | 625,000 | - | - | - | 625,000 | - | - | - | - | - | 625,000 | 625,000 |
| Computers and printers | 102,799,974 | (3,590,890) | 58,848,038 | 4,861,014 | 153,196,108 | 74,955,316 | (2,321,758) | 13,155,117 | 2,253,913 | 83,534,762 | 69,661,346 | 27,844,658 |
| Office equipment | 30,714,484 | (186,422) | 40,145,275 | 166,269 | 70,507,068 | 17,777,182 | (39,440) | 2,583,343 | 5,585 | 20,315,500 | 50,191,568 | 12,937,302 |
| Furniture and fixtures | 49,050,969 | - | 33,980,994 | 9,248,699 | 73,783,264 | 24,922,138 | - | 3,782,959 | 2,756,725 | 25,948,372 | 47,834,892 | 24,128,831 |
| Electrical installation | 6,991,662 | - | 17,475,857 | - | 24,467,519 | 1,438,603 | - | 678,662 | - | 2,117,465 | 22,350,054 | 5,552,859 |
| Air conditioners | 10,321,380 | - | 672,021 | 105,563 | 10,887,838 | 5,739,059 | - | 168,379 | 37,708 | 5,869,730 | 5,018,108 | 4,582,321 |
| Leasehold improvements | 79,978,292 | - | 53,097,941 | 334,639 | 132,741,594 | 72,178,295 | - | 10,548,625 | 270,422 | 82,456,498 | 50,285,096 | 7,799,997 |
| Vehicles | 2,937,582 | - | - | 874,419 | 2,063,163 | 1,398,298 | - | 956,179 | 291,314 | 2,063,163 | - | 1,539,284 |
| Hard furnishings | 185,998 | (185,998) | - | - | - | 141,412 | (141,412) | - | - | - | - | 44,586 |
| Generator set | 1,564,974 | - | - | - | 1,564,974 | 301,620 | - | 74,338 | - | 375,958 | 1,189,016 | 1,263,354 |
| **Sub-Total (A)** | **285,170,315** | **(3,963,310)** | **204,220,126** | **15,590,603** | **469,836,528** | **198,852,123** | **(2,502,610)** | **31,947,602** | **5,615,667** | **222,681,448** | **247,155,080** | **86,318,192** |
| **Intangible Assets** | | | | | | | | | | | | |
| Domain and Trade Names | 1,587,542 | - | 6,364 | - | 1,593,906 | 943,712 | - | 249,166 | - | 1,192,878 | 401,028 | 643,830 |
| Data Processing Software | 43,967,948 | - | 23,905,694 | - | 67,873,642 | 19,550,029 | - | 10,404,193 | - | 29,954,222 | 37,919,420 | 24,417,919 |
| **Sub-Total (B)** | **45,555,490** | **-** | **23,912,058** | **-** | **69,467,548** | **20,493,741** | **-** | **10,653,359** | **-** | **31,147,100** | **38,320,448** | **25,061,749** |
| **Total (A+B)** | **330,725,805** | **(3,963,310)** | **228,132,184** | **15,590,603** | **539,304,076** | **219,345,864** | **(2,502,610)** | **42,600,961** | **5,615,667** | **253,828,548** | **285,475,528** | **111,379,941** |

**Previous Year**

*(Amount in Rupees)*

| Description | Gross Block | | | | | Depreciation/ amortisation | | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as on April 1, 2010 | Adjustment on account of inclusion/ (exclusion) of subsidiary | Additions during the year | Deletion/ Adjustments during year | Balance as on March 31, 2011 | Balance as on April 1, 2010 | Adjustment on account of inclusion/ (exclusion) of subsidiary | For the year | Deletion/ Adjustments during year | Balance as on March 31, 2011 | Balance as on March 31, 2011 | Balance as on March 31, 2010 |
| **Tangible Assets** | | | | | | | | | | | | |
| Land | - | - | 625,000 | - | 625,000 | - | | - | - | - | 625,000 | - |
| Computers and printers | 85,692,638 | 14,448,345 | 3,007,512 | 348,721 | 102,799,974 | 60,446,552 | 4,833,217 | 9,824,249 | 148,702 | 74,955,316 | 27,844,658 | 25,246,286 |
| Office equipment | 27,443,012 | 594,721 | 2,686,751 | - | 30,714,484 | 16,696,810 | 42,031 | 1,038,341 | - | 17,777,182 | 12,937,302 | 10,746,201 |
| Furniture and fixtures | 43,487,253 | 2,367,503 | 3,527,751 | 331,538 | 49,050,969 | 21,422,505 | 274,147 | 3,278,376 | 52,890 | 24,922,138 | 24 128,831 | 22,064,748 |
| Electrical installation | 6,991,662 | - | - | - | 6,991,662 | 1,089,329 | - | 349,474 | - | 1,438,803 | 5,552,859 | 5,902,333 |
| Air conditioners | 9,194,135 | 1,414,393 | 10,859 | 298,007 | 10,321,380 | 5,256,819 | 146,546 | 371,176 | 35,482 | 5,739,059 | 4,582,321 | 3,937,316 |
| Leasehold improvements | 76,310,395 | 5,825,148 | 1,965,331 | 2,303,795 | 81,797,079 | 64,229,392 | 3,496,081 | 7,511,467 | 1,239,658 | 73,997,082 | 7,799,997 | 12,081,003 |
| Vehicles | 2,063,184 | 874,418 | - | - | 2,937,582 | 978,319 | 187,191 | 234,788 | - | 1,398,298 | 1,539 284 | 1,088,845 |
| Hard furnishings | 274,053 | - | - | 88,055 | 185,998 | 144,771 | - | 80,450 | 83,809 | 141,412 | 44,586 | 129,282 |
| Generator set | 1,564,974 | - | - | - | 1,564,974 | 227,285 | - | 74,335 | - | 301,620 | 1,263,354 | 1,337,689 |
| Share in fixed assets of joint venture | 1,969,462 | (1,969,462) | - | - | - | 424,738 | (424,738) | - | - | - | - | 1,544,724 |
| **Sub-Total (A)** | **254,990,948** | **23,545,066** | **11,823,204** | **3,370,116** | **286,989,102** | **170,914,520** | **8,554,475** | **22,762,656** | **1,560,741** | **200,670,910** | **86,318,192** | **84,076,427** |
| **Intangible Assets** | | | | | | | | | | | | |
| Domain and Trade Names | 1,570,042 | - | 17,500 | - | 1,587,542 | 683,999 | - | 259,713 | - | 943,712 | 643,830 | 886,043 |
| Data Processing Software | 20,548,811 | 22,536,637 | 882,274 | - | 43,967,722 | 8,549,559 | 3,874,017 | 7,126,227 | - | 19,549,803 | 24,417,919 | 11,999,252 |
| **Sub-Total (B)** | **22,118,853** | **22,536,637** | **899,774** | **-** | **45,555,264** | **9,233,558** | **3,874,017** | **7,385,940** | **-** | **20,493,515** | **25,061,749** | **12,885,295** |
| **Total (A+B)** | **277,109,801** | **46,081,703** | **12,722,978** | **3,370,116** | **332,544,366** | **180,148,078** | **12,428,492** | **30,148,596** | **1,560,741** | **221,164,425** | **111,379,941** | **96,961,722** |

S.R. BATLIBOI & CO. CHARTERED ACCOUNTANTS MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

**13 Non Current Investments: (Non-Trade)**

| Name of the Company | Quantity | As at March 31, 2012 | Quantity | As at March 31, 2011 |
|---|---|---|---|---|
| **Investment property** | | | | |
| Building | | | | |
| Gross Block | | 755,792,532 | | 751,763,459 |
| Less: Accumulated Depreciation | | (67,840,837) | | (53,760,816) |
| Net Block | | **687,951,695** | | **698,002,643** |
| **Investments in Equity Instruments (Unquoted):** | | | | |
| In fully paid up equity shares of Rs.10 each | | | | |
| Ayati Investment Advisors Limited | 600,000 | 60,000,000 | 600,000 | 60,000,000 |
| IndoSpace Rohan Industrial Park Private Limited (formerly known as Rohan Realty Private Limited) | 7,146 | 2,194,608 | 5,377 | 1,651,330 |
| IndoSpace Rohan Industrial Park Mahalunge Private Limited (formerly known as Rohan Brothers Builders Private Limited) | 105 | 2,001,735 | 97 | 1,849,221 |
| IndoSpace Rohan Industrial Park Khed Private Limited (formerly known as Rohan Buildwell Private Limited) | 166 | 2,433,583 | 156 | 2,286,982 |
| IndoSpace Rohan Industrial Park Pune Private Limited (formerly known as Rohan Erectors Private Limited) | 105 | 2,005,232 | 97 | 1,852,452 |
| Indospace SKCL Industrial Park Orgadem Private Limited (formerly known as IndoSpace Logistics Parks Private Limited) | 12,025 | 1,656,444 | 12,025 | 1,656,444 |
| Indospace FWS Industrial Park Private Limited (Formerly known as Future Warehouse Management Services Private Limited) | 3,957 | 779,648 | 3,957 | 779,648 |
| | | **71,071,250** | | **70,076,077** |
| Less: Provision for diminution in value of investments (Refer Note 43) | | 60,000,000 | | - |
| | | **11,071,250** | | **70,076,077** |
| **Investments in Equity Instruments (Quoted):** | | | | |
| In fully paid up equity shares of Rs.10 each | | | | |
| Centrum Capital Limited | 105,783 | 150,000,294 | - | - |
| Less: Provision for diminution in investments (Refer Note 43) | | 35,000,000 | | - |
| | | **115,000,294** | | - |
| | | **126,071,544** | | **70,076,077** |
| **Non Trade Investments:** | | | | |
| **Investments in debentures (Unquoted):** | | | | |
| 18.75%, Secured redeemable non-convertible debentures of Kanakia Bhumi Construction Private Limited, fully paid up of Rs. 10,000,000 each* | 90 | 750,000,002 | - | - |
| 18.75%, Secured redeemable non-convertible debentures of Kanakia Spaces Private Limited, fully paid up of Rs. 10,000,000 each* | 40 | 333,400,000 | - | - |
| 16%, Secured redeemable non-convertible debentures of Keystone Realtors Private Limited, fully paid up of Rs. 10,000,000 each* | 12 | 857,211,412 | - | - |
| | | **1,940,611,414** | | - |
| **Investments in Bonds (Unquoted):** | | | | |
| In fully paid up bonds of Rs. 100 each | | | | |
| Government Bonds | 189 | 18,900 | 189 | 18,900 |
| | | **18,900** | | **18,900** |
| | | **2,754,653,553** | | **768,097,620** |
| **Additional Information:** | | | | |
| Aggregate value of quoted investments: | | 150,000,294 | | - |
| Aggregate value of unquoted investments: | | 1,940,630,314 | | 70,094,977 |
| Aggregate provision for diminution in value of investments: | | 95,000,000 | | - |

* Current maturities of Rs. 474,400,000 is shown under Note No. 17

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **14 Deferred tax assets / (liabilities) (Net)** | | |
| **Deferred tax liability:** | | |
| On account of depreciation on fixed assets | - | (556,455) |
| | - | (556,455) |
| **Deferred tax asset:** | | |
| On account of depreciation on fixed assets | 44,519,798 | 34,055,038 |
| On account of provision for gratuity and leave encashment | 7,412,952 | 3,366,261 |
| On other disallowances under Income Tax Act | 17,260,086 | 23,608,228 |
| | **69,192,836** | **61,029,527** |
| **Net Deferred tax assets** | **69,192,836** | **60,473,072** |
| **15 Long term loans and advances:** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity | 26,265,284,430 | 18,894,283,468 |
| Vehicles on finance lease | 5,839,050 | 17,201,569 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity | 35,269,590 | 28,067,366 |
| Less: Provision for doubtful advances | (13,959,562) | (28,067,366) |
| | 21,310,028 | - |
| *Unsecured, considered good* | | |
| Capital advances | 16,603,740 | 21,687,600 |
| Security Deposits | 99,528,259 | 66,026,319 |
| Loans and advances relating to financing activity | 52,214,214 | 38,591,554 |
| Advances to staff | 10,000,000 | 10,000,000 |
| Advances recoverable in cash or in kind or for value to be received | 39,760,000 | 113,195,000 |
| Advance taxes (net of provision for tax) | 240,219,239 | 217,171,798 |
| VAT Refund receivable | 1,771,865 | 1,846,223 |
| | 460,097,317 | 468,518,494 |
| *Unsecured, considered doubtful* | | |
| Loans and advances to others | 10,150,006 | 5,150,704 |
| Less: Provision for doubtful advances | (10,150,006) | (5,150,704) |
| | - | - |
| | **26,752,530,825** | **19,380,003,531** |
| **Additional Information:** | | |
| Debts due by directors or other officers of the company | 10,000,000 | 10,000,000 |
| **16 Other non current assets** | | |
| Security Deposits | 61,750 | 1,746,700 |
| MAT credit entitlement | 16,250,000 | 16,250,000 |
| Receivables under loans assigned | 584,337,780 | - |
| Unamortised loan origination cost (Refer Note 36) | 155,438,925 | 33,732,794 |
| Balances with banks | | |
| - in deposit accounts exceeding 12 months maturity | 1,473,603,848 | 298,835,000 |
| Others | 1,628,644 | 14,047,516 |
| | **2,231,320,947** | **364,612,010** |

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

**17 Current Investments:**

| Name of the Company | Quantity | As at March 31, 2012 | Quantity | As at March 31, 2011 |
|---|---|---|---|---|
| **Investments in Mutual funds (Unquoted):** | | | | |
| Reliance Liquidity Fund-Growth | - | - | 8,114,584 | 119,833,743 |
| HDFC Liquid Fund - Premium Plan - Growth | - | - | 21,855,943 | 429,547,958 |
| Birla Sunlife Cash Plus Institutional Premium -Growth | - | - | 17,536,671 | 275,243,320 |
| SBI Ultra Short Term Fund-Institutional Plan Growth | - | - | 58,586,427 | 750,000,000 |
| ICICI Pridential Liquid Super Institutional Plan. Growth | - | - | 274,271 | 116,616,222 |
| HDFC Cash Management Fund-Savings Plan-Growth | - | - | - | 71,404,086 |
| Reliance Liquid Fund - Treasury Plan-Institutional Option- | | 2,130,041 | - | |
| Growth Option | 213,004 | | | 10,080,880 |
| Peerless Liquid Fund-Super Institutional Growh | 4,280,932 | 50,000,000 | - | 5,700,000 |
| Pramerica Liquid Fund - Growth Option | 43,833 | 50,000,000 | - | - |
| | | **102,130,041** | | **1,778,426,209** |
| **Investments in debentures (Unquoted):** | | | | |
| 12.50%, Secured redeemable non-convertible debentures of Era Housing & Developers (India) Limited, fully paid up of Rs.10,000,000 each | - | - | 75 | 750,000,000 |
| | | - | | **750,000,000** |
| **Other investments (Unquoted):** | | | | |
| Pass Through Certificates | - | - | 27 | 2,054,156 |
| | | - | | **2,054,156** |
| Current maturities of long term investments | | **474,400,000** | | - |
| | | **576,530,041** | | **2,530,480,365** |
| **Additional Information:** | | | | |
| Aggregate value of unquoted investments: | | | | |
| - Cost | | 576,530,041 | | 2,530,480,365 |

The Company has valued unquoted mutual funds at net asset value based on the Prudential norms issued by the Reserve Bank of India.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| **18 Trade receivables:** | | |
| Trade receivables exceeding six months | | |
| - Secured, considered good | 850,390 | 1,550,472 |
| - Secured, considered doubtful | 1,475,147 | 6,759,253 |
| - Unsecured, considered doubtful | 13,352,687 | 23,947,316 |
| Less: Provision for doubtful debts | (13,863,432) | (24,925,889) |
| | 1,814,792 | 7,331,152 |
| Other debts | | |
| - Secured, considered good | 471,126,282 | 27,436,066 |
| - Secured, considered doubtful | 14,698,471 | 15,448 |
| - Unsecured, considered good | 90,929,297 | 131,309,120 |
| - Unsecured, considered doubtful | 4,111,149 | 9,649,026 |
| Less: Provision for doubtful debts | (18,809,620) | (9,664,474) |
| | 562,055,579 | 158,745,186 |
| | **563,870,371** | **166,076,338** |
| **19 Cash and bank balance:** | | |
| **Cash and Cash Equivalents:** | | |
| Balances with banks | | |
| - in unpaid dividend accounts | 597,958 | 220,178 |
| - in unpaid share application money | 2,311,621 | 2,311,621 |
| - in other accounts | 4,949,996,098 | 3,435,216,907 |
| Cash on hand | 103,061,770 | 16,596,066 |
| | **5,055,967,447** | **3,454,344,771** |
| **Other Bank Balances:** | | |
| Deposit with original maturity for more than 3 months but less than 12 months | | |
| - in fixed deposit accounts | 5,000,000 | - |
| - in fixed deposit accounts lien against Bank Guarantee | 30,000,000 | 38,750,000 |
| - in fixed deposit account earmarked against Trade Guarantee Fund | 1,000,000 | 1,000,000 |
| | **5,091,967,447** | **3,494,094,771** |
| **20 Short term loans and advances:** | | |
| *Secured, considered good* | | |
| Current maturities of long term loans and advances | 16,987,239,596 | 7,537,086,875 |
| Current maturity of finance lease | 7,871,474 | 9,388,464 |
| *Secured, considered doubtful* | | |
| Current maturities of long term loans and advances | 1,263,416 | 1,241,990 |
| Less: Provision for doubtful advances | (1,263,416) | (1,241,990) |
| | - | - |
| *Unsecured, considered good* | | |
| Current maturities of long term loans and advances | 545,321,611 | 1,392,257,380 |
| Advances recoverable in cash or in kind or for value to be received | 169,137,442 | 224,533,558 |
| Security Deposits | 3,532,383 | 9,971,818 |
| *Unsecured, considered doubtful* | | |
| Loans and advances to related parties | 21,148 | - |
| Current maturities of long term loans and advances | 2,286,248 | 9,750,643 |
| Advances recoverable in cash or in kind or for value to be received | 3,637,177 | 4,034,077 |
| Less: Provision for doubtful advances | (5,944,573) | (13,408,968) |
| | - | 375,752 |
| | **17,713,102,506** | **9,173,613,847** |
| **21 Other Current Assets** | | |
| Interest accrued but not due | 329,298,023 | 148,677,051 |
| Interest accrued and due | 151,534,293 | 85,946,583 |
| Unamortised loan origination cost (Refer note 36) | 58,465,659 | 13,617,388 |
| Unbilled Subvention Income | 15,662,934 | 5,857,993 |
| Receivables under loans assigned | 142,198,771 | 3,841,912 |
| Others | 1,222,605 | 1,941,880 |
| | **698,382,285** | **259,882,807** |

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| **22 Revenue from operations:** | | |
| **Interest income** | 5,542,317,978 | 2,703,530,616 |
| **Other financial services** | | |
| Fee income | 786,900,111 | 438,054,469 |
| Rental income | 65,424,017 | 130,650,362 |
| Income from assignment of loans | 705,268,745 | 298,203,186 |
| Dividend from mutual fund units | - | 33,519,931 |
| Profit on sale of investments | 32,087,502 | 50,983,654 |
| Profit on sale of Leased Assets | 782,727 | 267,520 |
| Management fees | 159,301,785 | 27,298,009 |
| Commission and brokerage Income | 109,379,589 | 10,986,547 |
| Share in other income from operations of joint ventures | - | 34,702,624 |
| | **7,401,462,454** | **3,728,196,918** |
| **23 Other Income:** | | |
| Net gain on sale of non current investments | - | 250,136,882 |
| Foreign exchange gain (net) | - | 874,010 |
| Interest on income tax refund | 7,937,474 | 2,089,482 |
| Other non operating income | 28,045,764 | 31,318,900 |
| Share in income from operations of joint ventures | - | 2,525,575 |
| | **35,983,238** | **286,944,849** |
| **24 Employee Benefit Expenses:** | | |
| Salaries and wages | 790,193,226 | 391,301,361 |
| Contribution to provident and other funds | 29,055,538 | 10,883,799 |
| Remuneration to whole time directors | 35,387,858 | 25,527,661 |
| Staff welfare expenses | 13,777,997 | 5,087,846 |
| Share in personnel expenses of joint ventures | - | 45,950,045 |
| | **868,414,619** | **478,750,712** |
| **25 Finance Costs:** | | |
| Interest expense | 2,926,016,582 | 1,592,455,561 |
| Other borrowing costs | 1,050,958,308 | 289,916,798 |
| Share in financial costs of joint ventures | - | 5,106,015 |
| | **3,976,974,890** | **1,887,478,374** |
| **26 Depreciation and amortization:** | | |
| Depreciation on Fixed Assets | 31,947,602 | 22,762,656 |
| Depreciation on Investment Property | 12,261,325 | 12,253,743 |
| Amortization of intangible assets | 10,653,359 | 7,385,940 |
| | **54,862,286** | **42,402,339** |

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| **27 Other expenses:** | | |
| Rent | 125,317,289 | 52,661,608 |
| Repairs to buildings | 165,375 | 3,923,651 |
| Repairs others | 31,743,773 | 19,018,035 |
| Insurance | 3,991,631 | 1,422,911 |
| Rates and taxes | 15,055,414 | 7,496,727 |
| Payment to the auditors | | |
| - as auditor | 4,500,000 | 3,739,313 |
| - for other services | 100,000 | 100,662 |
| - for reimbursement of expenses | 376,830 | 188,091 |
| Business promotion expenses | 11,117,788 | 2,326,810 |
| Commission and brokerage | 10,073,467 | 229,792 |
| Traveling expenses | 43,014,693 | 12,766,134 |
| Communication expenses | 35,904,862 | 15,623,134 |
| Printing and stationery | 20,690,472 | 10,614,970 |
| Software and computer expenses | - | 3,404,087 |
| Recruitment expenses | 24,471,155 | 12,923,416 |
| Membership and subscription | 3,010,066 | 2,479,263 |
| Advertisement, publicity and sales promotion expenses | 19,813,419 | 5,105,423 |
| Electricity charges | 16,398,450 | 3,353,685 |
| Amortised loan origination cost (Refer Note 36) | 179,736,304 | 114,218,373 |
| Collection expenses | 34,801,600 | 43,141,147 |
| Provision for doubtful loans and advances | 10,526,241 | 23,233,832 |
| Provision for diminution in value of investments | | |
| - Others | 95,000,000 | - |
| Provision for standard assets | 49,051,000 | 74,101,000 |
| Bad trade receivables written off | 70,702,762 | 28,546,730 |
| Loss/ (gain) on sale of fixed asset (net) | 5,485,133 | 1,564,365 |
| Fixed Assets Written Off | 602,883 | - |
| Donations | 951,500 | 500,000 |
| Legal and professional charges | 163,401,986 | 51,862,989 |
| Directors sitting fees | 1,189,925 | 1,193,185 |
| Remuneration to non whole time directors | | |
| - Commission | 5,000,000 | 2,417,446 |
| Miscellaneous expenses | 39,061,797 | 7,127,017 |
| Provision for impairment of assets | - | 220,613,517 |
| Share in other expenses of joint ventures | - | 42,040,496 |
| | **1,021,255,815** | **767,937,809** |
| **28 Earnings per share:** | | |
| Profit for the year after tax expense | 1,058,308,178 | 491,208,754 |
| Weighted average number of equity shares | 64,798,484 | 64,260,148 |
| Nominal value per share | 10 | 10 |
| **Earning per share-Basic** | **16.33** | **7.64** |
| Profit for the year after tax expense | 1,058,308,178 | 491,208,754 |
| Weighted average number of equity shares | 64,798,484 | 64,260,148 |
| Add: Weighted number of equity shares under options | 7,433 | 142,807 |
| Weighted average number of diluted equity shares | 64,805,917 | 64,402,955 |
| Nominal value per share | 10 | 10 |
| **Earning per share-Diluted** | **16.33** | **7.63** |

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

29. **Contingent liabilities and commitments**

a. Contingent Liabilities not provided for in respect of:

(Amount in Rs.)

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| Guarantees given by Bank on behalf of the Group | 60,000,000 | 77,000,000 |
| Corporate guarantee given by Company to banks | 90,000,000 | - |
| Liability on account of retail trades | 1,775,000 | 1,579,240 |
| Income-tax matters under dispute | 23,147,837 | 10,383,352 |

b. Commitments:

(Amount in Rs.)

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 29,193,215 | 56,671,960 |
| Commitments relating to granting of loan | 2,820,182,882 | - |

30. **Post-employment benefit plans:**

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses

The following table summaries the components of net benefit expense recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans.

(Amount in Rs.)

| | Year ended March 31, 2012 | Year ended March 31, 2011 | Year ended March 31, 2012 | Year ended March 31, 2011 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Present Value of the Obligation as at the beginning of the year | 4,726,647 | 4,353,799 | 2,397,853 | - |
| Adjustment on account of exclusion of joint venture/ subsidiary | (338,390) | (333,557) | - | 1,116,042 |
| Interest Cost | 351,061 | 321,619 | 191,828 | 69,055 |
| Current Service Cost | 9,351,788 | 3,086,264 | 540,499 | 802,112 |
| Benefit Paid | (1,810,587) | (1,118,691) | (119,495) | (523,078) |
| Actuarial (gain)/ loss on obligations | 68,696 | (1,582,787) | (2,148,163) | 933,722 |
| Present Value of the Obligation as at the end of the year | 12,349,215 | 4,726,647 | 862,522 | 2,397,853 |

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

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A. Fair Value of Plan Assets

(Amount in Rs.)

| | Year ended March 31, 2012 | Year ended March 31, 2011 | Year ended March 31, 2012 | Year ended March 31, 2011 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Fair Value of the Plan Assets as on April 1, | - | - | 2,334,487 | 1,637,756 |
| Expected return on Plan Assets | - | - | 250,476 | 98,265 |
| Contributions | - | - | 210,000 | 1,122,658 |
| Benefits paid | - | - | (119,495) | (523,078) |
| Actuarial gain/ (loss) on Plan Assets | - | - | - | (1,114) |
| Fair Value of the Plan Assets as on March 31, | - | - | 2,675,468 | 2,334,487 |

B. Actual return on Plan Assets

(Amount in Rs.)

| | Year ended March 31, 2012 | Year ended March 31, 2011 | Year ended March 31, 2012 | Year ended March 31, 2011 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Expected return on Plan Assets | - | - | 250,476 | 98,265 |
| Actuarial gain/ (loss) on Plan Assets | - | - | - | (1,114) |
| Actual return on Plan Assets | - | - | 250,476 | 97,151 |

C. Amount recognised in the Profit and Loss Account

(Amount in Rs.)

| | Year ended March 31, 2012 | Year ended March 31, 2011 | Year ended March 31, 2012 | Year ended March 31, 2011 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Interest Cost | 351,061 | 321,619 | 191,828 | 69,055 |
| Current Service Cost | 9,351,788 | 3,086,264 | 540,499 | 448,142 |
| Expected return on Plan Assets | - | - | (250,476) | (98,265) |
| Actuarial (gain)/ loss on obligations | 68,696 | (1,582,787) | (2,148,163) | 1,353,768 |
| Total expense recognised in the Profit and Loss Account | 9,771,545 | 1,825,096 | (1,666,312) | 934,836 |

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

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D. Reconciliation of Balance Sheet

(Amount in Rs.)

| | Year ended March 31, 2012 | Year ended March 31, 2011 | Year ended March 31, 2012 | Year ended March 31, 2011 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Present Value of the Obligation as at the beginning of the year | 4,726,647 | 4,353,799 | 2,397,853 | 1,116,042 |
| Adjustment on account of exclusion of joint venture | (338,390) | (333,557) | - | 353,970 |
| Total expense recognised in the Profit and Loss Account | 9,771,545 | 1,825,096 | (1,666,312) | 1,450,919 |
| Employer's Contribution/ Benefits paid | (1,810,587) | (1,118,691) | (210,000) | (523,078) |
| Present Value of the Obligation as at the end of the year | 12,349,215 | 4,726,647 | 862,522 | 2,397,853 |

The principal assumptions used in determining obligations for the Group's plans are shown below:

| Assumptions | Year ended March 31, 2012 | Year ended March 31, 2011 | Year ended March 31, 2012 | Year ended March 31, 2011 |
|---|---|---|---|---|
| | Gratuity (Unfunded) | | Gratuity (Funded) | |
| Discount rate | 8% | 8% | 8% | 7.50% |
| Increase in compensation cost | 8% | 5% | 5% | 6% |
| Employee turnover | 2% | 2% | 1% | 2% |
| Rate of Return on Plan Assets | NA | NA | 9.36% | 8% |

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

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

31. **Employee Stock Option Scheme ('ESOS')**

| Summary of stock options | For the year ended March 31, 2012 | | | | For the year ended March 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | ESOP 2007 | ESOP 2008 | ESOP 2009 | ESOP 2011 | ESOP 2007 | ESOP 2008 | ESOP 2009 | ESOP 2011 |
| Outstanding as at the beginning of the year | 459,000 | 569,500 | 350,000 | - | 656,000 | 740,000 | - | - |
| Granted during the year | - | 65,000 | - | 1,202,000 | 344,000 | 670,000 | 350,000 | - |
| Forfeited/ Cancelled during the year | 7,000 | 40,000 | - | 5,000 | 6,000 | 120,000 | - | - |
| Lapsed during the year | - | - | - | - | - | - | - | - |
| Exercised/ Allotted during the year | - | 15,000 | - | - | 535,000 | 720,500 | - | - |
| Outstanding as at the end of the year | 452,000 | 579,500 | 350,000 | 1,197,000 | 459,000 | 569,500 | 350,000 | - |
| Exercisable at the end of the year | 108,000 | 66,500 | 70,000 | - | 115,000 | 19,500 | - | - |
| Weighted average remaining contractual life (in years) | 3.75 | 5.07 | 4.86 | 5.70 | 4.25 | 5.92 | 5.83 | - |
| Weighted average fair value of options granted | Rs. 113.70 | Rs. 96.63 | Rs. 141.50 | Rs. 66.00 | Rs. 112.11 | Rs. 101.69 | Rs. 141.50 | - |

**ESOS 2008**

During the year, the Company has granted 65,000 options to the eligible employee at weighted average exercise price of Rs. 133.70. Options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. All the options are exercisable within 4 years from the date of vesting.

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## ESOS 2011

The Compensation and Nomination Committee through Resolution passed by circulation dated June 29, 2011, December 26, 2011 and January 12, 2012 has granted options in respect of 835,000, 70,000 and 297,000 equity shares to the eligible employees at an exercise price of Rs. 133.70, Rs.122.95 and Rs. 120.05 respectively pursuant to ESOS 2011 Scheme. The options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. The same will be exercisable within 4 years from the date of vesting.

The fair value of the sock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

| Particulars | ESOP 2008 | ESOP 2011 |
|---|---|---|
| Exercise Price | Rs. 133.70 for 65,000 stock options | Rs.133.70 for 835,000 stock options;<br>Rs.122.95 for 70,000 stock options;<br>Rs.120.05 for 297,000 stock options; |
| Historical Volatility | 50.08%-54.89% | 48.94% - 55.24% |
| Life of the options granted (Vesting and exercise period) in years | Vesting schedule:<br>20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively<br><br>Exercise Period:<br>Within 4 years from the date of vesting | Vesting schedule:<br>20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively<br><br>Exercise Period:<br>Within 4 years from the date of vesting |
| Dividend yield | 0.59% | 0.46% - 0.59% |
| Average risk-free interest rate | 8.31% | 8.07% - 8.32% |

**Performa Accounting**

Since the Group used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| Net Profit after tax as reported | 1,058,308,178 | 491,208,754 |
| Less: Employee stock compensation cost under fair value method | 85,613,346 | 32,012,813 |
| **Total** | **972,694,832** | **459,195,941** |
| Basic earnings per share as reported | 16.33 | 7.64 |
| Proforma Basic earnings per share | **15.01** | **7.15** |
| Diluted earnings per share as reported | 16.33 | 7.63 |
| Proforma Diluted earnings per share | **15.01** | **7.13** |

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32. **Segmental Reporting**

The Group has organized its operations into four major businesses: Retail Financial Services, Wholesale credit and Treasury, Investment Advisory Services and Others. A description of the types of products and services provided by each reportable segment is as follows:

*Retail Financial Services:*
Under the retail financial service category, the Group provides (i) property loans (ii) gold loans (iii) consumption loans (iv) auto loans (v) two wheeler loans (vi) wealth management and (vii) property broking.

*Wholesale credit and Treasury:*
The wholesale credit business uses our proprietary balance sheet to build a unique structured credit business that focuses on mezzanine, promoter, project and acquisition financing as well other special situations related financing. The treasury operations ensure liquidity for business and manage investment of surplus funds to optimize returns within the approved risk management framework.

*Investment Advisory Services:*
The Group provides investment advisory services to its clients. These investment advisory services include investment analysis, research and investment recommendations.

*Others:*
This includes property leasing and management services, vehicle leasing & financing and mall management activities.

Geographical Segments:
The Group has identified geographical segments as within India and outside India.

For Segment Information - Refer Annexure 1

33. **Related Party Disclosure:**
Names of related parties where control exists irrespective of whether transactions have occurred or not

| Relationship | Name of the Party |
|---|---|
| Holding Company | Pantaloon Retail (India) Limited |
| Fellow subsidiaries | Future Media (India) Limited<br>Future E-Commerce Infrastructure Limited<br>Future Knowledge Services Limited<br>Future Value Retail Limited<br>Home Solutions Retail (India) Limited |
| Key Management Personnel | Mr. V. Vaidyanathan, Vice Chairman and Managing Director |

Refer Annexure 2 and 2A for the transactions with related parties.

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34. **Finance Leases**

In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on March 31, 2011 and March 31, 2012 is as under:

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| Gross investment in lease | 1,60,42,168 | 3,66,12,113 |
| Less: Unearned finance Income | 23,31,664 | 62,11,368 |
| MLP Receivables | **1,37,10,524** | **30,400,745** |

Maturity Pattern of the Gross Investments in lease/ Present Value of MLP Receivables:

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| Gross investment for each of the following years: | | |
| ☐ Not later than one year | 95,43,948 | 1,27,47,846 |
| ☐ Later than one year and not later than five years | 64,98,220 | 2,38,64,267 |
| | **1,60,42,168** | **3,66,12,113** |
| Present value of minimum lease payment for each of the following years: | | |
| ☐ Not later than one year | 78,71,474 | 93,88,464 |
| ☐ Later than one year and not later than five years | 58,39,050 | 2,10,12,281 |
| | **1,37,10,524** | **3,04,00,745** |
| Un matured finance charges | Nil | Nil |
| Un guaranteed residual value accruing to the benefit of lessor | Nil | Nil |
| Accumulated provision for minimum lease payment receivable | Nil | Nil |

35. **Operating Leases**

a. **Payments**

The Group's significant leasing arrangements in respect of operating leases are for premises (residential and office) and vehicle which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the profit and loss account.

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| Lease payments recognised in the profit and loss account | 125,317,289 | 32,450,545 |

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Details of non-cancellable leases are as follows:

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| **Minimum Lease Payments:** | | |
| Not later than one year | 47,611,347 | 57,931,017 |
| Later than one year but not later than five years | 67,369,174 | 117,024,224 |
| Later than five years | - | - |

**b. Receipts**

The Group owns immovable property at Mumbai, which has been given to various lessees on a leave and license basis. Primary lease in respect of these arrangements is of 60 months, subject to mutual agreement between the Lessor and the Company.

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| Lease income recognised in the profit and loss account | 49,974,766 | 87,183,158 |
| | | |
| **Minimum Lease Payments:** | | |
| Not later than one year | - | 57,931,017 |
| Later than one year but not later than five years | - | 64,697,072 |
| Later than five years | - | 103,312,512 |

**c. Sub-lease**

The Group's sub leasing arrangements in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rental income recognized in the profit and loss account is as follows:

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| Lease income recognised in the profit and loss account | 60,000 | 360,000 |

36. **Deferment of loan origination cost, processing fees and subvention income**

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| Total loan origination cost deferred | 346,290,705 | 86,377,680 |
| Cost amortised and charged to profit and loss account during the year | 179,736,304 | 114,218,373 |
| Unamortised cost shown into balance sheet : | | |
| Current | 58,465,659 | 13,617,388 |
| Non-current | 155,438,925 | 33,732,794 |

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(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| Total unamortised income from processing fees/ subvention income deferred | 302,655,427 | 86,746,101 |
| Income amortised and credited to profit and loss account during the year | 181,804,507 | 379,86,907 |
| Unamortised processing fees/ subvention income shown into balance sheet: | | |
| Current | 60,436,508 | 31,855,328 |
| Non-current | 109,173,605 | 19,029,072 |

37. The Group sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

(Amount in Rs.)

| Particulars | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| No. of loan assets assigned | 4,539 | 507 |
| Book value of loan assets directly assigned | 14,657,451,315 | 2,98,63,40,614 |
| Sale consideration received | 15,498,041,558 | 3,84,62,03,424 |
| Gain on account of direct assignment (net) | 705,268,745 | 298,203,186 |
| Outstanding credit enhancement – Fixed Deposit | 1,376,614,000 | 298,635,000 |

38. Additional disclosures as required by circular no DNBS.CC.PD.No.265/03.10.01/2011-2012 dated March 31, 2012 issued by Reserve Bank of India:

| Particulars | As at March 31, 2012 | As at March 31, 2011 |
|---|---|---|
| Total Gold loan Portfolio | 2,290,427,414 | 73,495,979 |
| **Total Assets** | 46,704,170,438 | 28,552,466,203 |
| Gold loan portfolio as a % age of total assets | 4.90% | 0.26% |

39. The Group had allotted 10,000,000 share warrants pursuant to the approval of Members at the Extra Ordinary General Meeting held on August 27, 2010. These share warrants were convertible into equal number of equity shares at the option of the holder within 18 months from the date of allotment. As per SEBI (ICDR) guidelines, the Group had received upfront money as advance from the allotees. Since the holders of the option did not exercise the option to convert the share warrants into equity shares, the entire share warrant application money has been transferred to Capital Reserve.

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40. The Company's share of in the Assets, Liabilities, Income and Expenses with respect to jointly controlled entities are as follows:

In the previous year Future Capital Securities Limited *(formerly FCH Centrum Wealth Managers Limited )* was joint venture upto March 28, 2011. Thereafter it became a wholly owned subsidiary of the Company. Company's share of in the Assets, Liabilities, Income and Expenses with respect to jointly controlled entities is as follows:

(Amount in Rs.)

| **Particulars** | **As at March 31, 2012** | **As at March 31, 2011** |
|---|---|---|
| Assets | - | - |
| Liabilities | - | - |
| Revenue | - | 37,228,200 |
| Depreciation/ amortization | - | 6,173,269 |
| Other expenses | - | 113,140,918 |
| Profit/ (Loss) before tax | - | (82,085,986) |
| Contingent Liabilities | - | - |

41. In the previous year, the Group had reviewed the carrying amount and impaired certain fixed assets pertaining to a subsidiary aggregating Rs. 220,613,517.

42. In the previous year, pursuant to the Scheme of Arrangement between Future Capital Financial Services Limited (FCFSL), Future Capital Holdings Limited (FCH) and their respective shareholders (Scheme), inter-alia in terms of which FCFSL had merged with FCH, under the provisions of Section 391 to 394, read with Sections 78,100 to 103 of the Companies Act, 1956. The said scheme became effective from June 29, 2011 but operative with retrospective effect from March 1, 2011, the appointed date. Pursuant to the accounting treatment as prescribed under the scheme in respect of the difference between the investment value of FCFSL in the books of FCH and the net assets acquired from FCFSL had been adjusted in the Securities Premium of FCH.

43. During the year, the Group has provided Rs. 60,000,000 and Rs. 35,000,000 towards diminution in the value of investments, other than of temporary nature, in Ayati Investment Advisors Limited and Centrum Capital Limited respectively.

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44. **Previous Year Figures**

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

**As per our report of even date**

**For S.R. Batliboi & Co.**
Firm Registration No. 30100E
Chartered Accountants

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

Place: Mumbai
Date: May 29, 2012

**For and on behalf of the Board of Directors of Future Capital Holdings Limited**

**Kishore Biyani**
Chairman

**V. Vaidyanathan**
Vice Chairman & Managing Director

**Ashok Shinkar**
Head-Corporate Centre & Chief Financial Officer

**Chetan Gandhi**
Head-Legal & Secretarial

Place: Mumbai
Date: May 29, 2012

FUTURE CAPITAL HOLDINGS LIMITED

Annexure 1 to Note 32 of Notes to the Financial Statements

| Particulars | Investment Advisory Services | | Wholesale Credit and Treasury | | Retail Financial Services | | Others | | Unallocated | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 | 2011-2012 | 2010-2011 |
| **I. Primary Segment-Business** | | | | | | | | | | | | | | |
| **Revenue** | | | | | | | | | | | | | | |
| External revenue | 159,301,785 | 16,792,242 | 4,071,882,306 | 2,064,359,067 | 3,124,108,484 | 1,505,621,959 | 66,206,744 | 141,423,650 | 15,946,374 | 286,944,849 | - | - | 7,437,445,692 | 4,015,141,767 |
| Inter segment revenue | - | - | 34,946,175 | 21,774,427 | - | 164,016,278 | 17,116,808 | 6,480,450 | | - | 52,062,983 | 192,271,154 | 52,062,983 | 192,271,154 |
| **Total Revenue** | 159,301,785 | 16,792,242 | 4,106,828,481 | 2,086,133,494 | 3,124,108,485 | 1,669,638,236 | 83,323,552 | 147,904,100 | 15,946,374 | 286,944,849 | 52,062,983 | 192,271,154 | 7,489,508,675 | 4,207,412,921 |
| **Segment result** | 158,955,565 | 16,529,633 | 1,380,099,811 | 632,443,287 | 60,398,695 | 161,856,660 | 26,104,091 | 56,620,591 | 15,946,374 | 286,944,849 | - | - | 1,641,504,736 | 1,154,395,021 |
| Interest | - | - | - | - | - | - | - | - | (11,605,254) | (5,114,568) | - | - | (11,605,254) | (5,114,567) |
| Unallocated expense (net) | - | - | - | - | - | - | - | - | (113,961,400) | - | - | - | (113,961,400) | (310,707,921) |
| Income taxes (Current tax and deferred tax) | - | - | - | - | - | - | - | - | (457,629,904) | (347,363,779) | - | - | (457,629,904) | (347,363,779) |
| **Net Profit/(Loss) after tax** | | | | | | | | | | | | | 1,058,308,178 | 491,208,754 |
| **Other Information** | | | | | | | | | | | | | | |
| Segment assets | 211,186,847 | 103,377,724 | 30,313,200,303 | 24,194,219,270 | 25,119,337,331 | 10,705,775,437 | 734,479,501 | 758,148,805 | - | - | - | - | 56,378,203,982 | 35,761,521,236 |
| Other unallocated assets | - | - | - | - | - | - | - | - | 472,827,126 | 633,935,499 | - | - | 472,827,126 | 633,935,499 |
| **Total Assets** | 211,186,847 | 103,377,724 | 30,313,200,303 | 24,194,219,270 | 25,119,337,331 | 10,705,775,437 | 734,479,501 | 758,148,805 | 472,827,126 | 633,935,499 | - | - | 56,851,031,108 | 36,395,456,735 |
| Segment liabilities | 12,642,364 | 14,039,114 | 26,783,102,060 | 19,606,791,598 | 21,604,219,322 | 8,676,866,430 | 22,382,495 | 628,529,431 | - | - | - | - | 48,422,346,241 | 28,926,226,573 |
| Other unallocated liabilities | - | - | - | - | - | - | - | - | 112,965,628 | - | - | - | 112,965,628 | - |
| **Total Liabilities** | 12,642,364 | 14,039,114 | 26,783,102,060 | 19,606,791,598 | 21,604,219,322 | 8,676,866,430 | 22,382,495 | 628,529,431 | 112,965,628 | - | - | - | 48,535,311,869 | 28,926,226,573 |
| Capital Expenditure | - | 2,219,694 | 63,471,005 | - | 164,331,154 | 7,303,957 | - | 44,553 | - | - | - | - | 227,802,159 | 9,568,204 |
| Depreciation/ amortisation | - | 6,402,930 | 8,943,883 | 4,555,033 | 28,242,901 | 16,691,586 | 17,675,493 | 14,914,291 | - | - | - | - | 54,862,286 | 42,563,939 |
| Other non-cash expenses | - | - | 9,400,000 | 71,998,801 | 120,701,216 | 73,927,123 | 351,000 | - | - | 200,569,155 | - | - | 130,452,216 | 346,495,079 |
| **II. Secondary Segment-Geographical** | | | | | | | | | | | | | | |
| Domestic | 7,444,365 | 1,932,588 | 4,106,828,481 | 2,086,133,494 | 3,124,108,485 | 1,669,638,237 | 83,323,552 | 147,904,100 | 15,946,374 | 268,944,849 | - | - | 7,337,651,255 | 4,182,553,268 |
| Export | 151,857,420 | 14,859,654 | - | - | - | - | - | - | - | - | - | - | 151,857,420 | 14,859,654 |
| **Total** | 159,301,785 | 16,792,242 | 4,106,828,481 | 2,086,133,494 | 3,124,108,485 | 1,669,638,236 | 83,323,552 | 147,904,100 | 15,946,374 | 286,944,849 | - | - | 7,489,508,675 | 4,207,412,921 |

A. PATLIBOI & CO. CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

**Transactions with Related parties**
**Annexure 2 to Note 33 of Notes to the Financial Statements**

*Amount in Rupees*

| | Holding Company | | Fellow Subsidiaries | | Key Management Personnel | |
|---|---|---|---|---|---|---|
| **Particulars** | **2011-12** | **2010-2011** | **2011-12** | **2010-2011** | **2011-12** | **2010-2011** |
| Purchase of Goods/services | 21,928,030 | - | 420,248 | - | - | - |
| Advance Paid for Purchase of Goods/services | 113,540 | - | 508,500 | - | - | - |
| Marketing and Advertising | - | - | - | 299,744 | - | - |
| Deposit Given | - | 892,500 | | 420,000,000 | - | - |
| Loans Given | - | - | 550,000,000 | | - | - |
| Loan Repaid | - | 250,000,000 | 550,000,000 | 500,000,000 | - | - |
| Interest received | - | 359,589 | 14,706,849 | 14,128,769 | - | - |
| Rent Paid | - | 9,565,842 | | - | - | - |
| Subvention Income Received | 85,204 | - | 31,912,794 | - | - | - |
| Operating expenses incurred by the Company on behalf of the related party | - | - | 1,755,658 | - | - | - |
| Fixed assets / Intangible assets Purchased | 117,865 | 49,500 | - | - | - | - |
| Directors Remuneration | - | - | - | - | 31,729,613 | 27,527,661 |
| | | | | | | |
| **Closing Balances** | - | - | - | - | - | - |
| Loan Account | 663,337 | - | - | - | - | - |
| Receivables/ (Payables) (net) | 341,609 | 4,578,810 | 7,536,697 | 19,562,537 | - | - |

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

S.R. BATLIBOI & CO. CHARTERED ACCOUNTANTS MUMBAI

FUTURE CAPITAL HOLDINGS LIMITED

Annexure 2A to Note 33 of Notes to the Financial Statements

Disclosure of related party transactions more than 10%

*Amount in Rupees*

| Particulars | Transaction Value 2011-2012 | Transaction Value 2010-2011 |
|---|---|---|
| **Purchase of Goods/services** | | |
| Pantaloon Retail (India) Limited | 21,928,030 | - |
| **Advance for Purchase of Goods / Services** | | |
| Pantaloon Retail (India) Limited | 113,540 | |
| Future E- Commerce Infrastructure Ltd | 508,500 | |
| **Marketing & Advertising** | | |
| Future E- Commerce Infrastructure Limited | - | 299,744 |
| **Deposit Given** | | |
| Pantaloon Retail (India) Limited | - | 892,500 |
| **Loans Given** | | |
| Future Value Retail Limited | 550,000,000 | |
| Home Solutions Retail (India) Limited | - | 420,000,000 |
| **Loan Repaid** | | |
| Future Value Retail Limited | 550,000,000 | |
| Pantaloon Retail (India) Limited | - | 250,000,000 |
| Home Solutions Retail (India) Limited | - | 500,000,000 |
| **Interest received** | | |
| Future Value Retail Limited | 14,706,849 | |
| Home Solutions Retail (India) Limited | - | 14,128,769 |
| Pantaloon Retail (India) Limited | | 359,589 |
| **Rent Paid** | | |
| Pantaloon Retail (India) Limited | - | 9,565,842 |
| Home Solutions Retail (India) Limited | - | 4,200,000 |
| **Subvention Income Received** | | |
| Home Solutions Retail (India) Limited | - | 6,985,506 |
| Future Value Retail Limited | 31,719,106 | 12,948,264 |
| **Operating expenses incurred by the Company on behalf of the Party** | | |
| Home Solutions Retail (India) Limited | - | |
| Future Ventures India Limited | - | 66,490 |
| **Fixed assets / Intangible assets Purchased** | | |
| Pantaloon Retail (India) Limited | 117,865 | 49,500 |
| **Operating expenses incurred by the Party on behalf of the Company** | | |
| Home Solutions Retail (India) Limited | 1,755,658 | 27,482 |
| **Director's Remuneration** | | |
| Mr. V. Vaidyanathan, Vice Chairman & Managing Director | 31,729,613 | 27,527,661 |
| **Receivables/ (Payables) (net)** | | |
| Home Solutions Retail (India) Limited | - | 11,867,938 |
| Pantaloon Retail (India) Limited | 1,004,946 | 4,578,810 |
| Future Value Retail Limited | 6,410,752 | 7,694,599 |

S. R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

FUTURE CAPITAL HOLDINGS LIMITED MUMBAI

**Information on the financials of the subsidiary companies for the year ended March 31, 2012**
[Prepared in compliance with the requirements of the exemption letter(s) of the Ministry of Corporate Affairs, Government of India]

*(Amount in Rupees)*

| Name of the Subsidiary Company | FCH Securities & Advisors Limited | Myra Mall Management Company Limited | Kshitij Investment Advisory Company Limited | Future Capital Investment Advisors Limited | Future Finance Limited | Future Capital Commodities Limited | Future Capital Home Finance Private Limited | Future Capital Securities Limited | Anchor Trading & Investment Private Limited |
|---|---|---|---|---|---|---|---|---|---|
| The financial year of subsidiary ended on | March 31, 2012 | March 31, 2012 | March 31, 2012 | March 31, 2012 | March 31, 2012 | March 31, 2012 | March 31, 2012 | March 31, 2012 | December 31, 2011 |
| Capital | 22,500,000 | 10,000,000 | 30,000,000 | 22,500,000 | 107,500,000 | 20,500,000 | 100,000,000 | 278,056,000 | 774,608 |
| Reserves | (5,849,653) | (32,745,567) | 130,979,003 | 101,045,186 | 33,684,245 | (886,865) | (1,346,984) | (244,411,000) | 171,316,502 |
| Total assets | 16,739,237 | 730,538,197 | 166,688,633 | 132,197,061 | 144,494,307 | 80,015,505 | 102,273,466 | 276,985,857 | 179,200,470 |
| Total liabilities | 88,890 | 753,283,763 | 5,709,630 | 8,651,875 | 3,310,061 | 60,402,370 | 3,620,450 | 113,340,857 | 7,109,360 |
| Investments (except in case of investment in subsidiaries) | - | 687,951,695 | 11,071,250 | - | 18,900 | 2,130,041 | 100,000,000 | - | - |
| Turnover | 1,707,575 | 68,410,742 | 20,994,574 | 12,887,157 | 16,439,050 | 5,480,681 | - | 83,333,006 | 151,963,283 |
| Profit/ (Loss) before tax | 1,611,830 | (90,999,177) | 11,499,358 | 10,372,804 | 14,875,263 | (316,624) | (1,114,934) | (70,416,691) | 150,717,782 |
| Provision for tax | 228,654 | 8,499,837 | 5,437,909 | 3,492,580 | 6,259,039 | - | - | - | 4,518,358 |
| Profit/ (Loss) after tax | 1,383,176 | (99,499,014) | 6,061,449 | 6,880,224 | 8,616,224 | (316,624) | (1,114,934) | (70,416,691) | 146,199,424 |
| Proposed dividend | - | - | - | - | - | - | - | - | - |

Notes:

1. Ministry of Corporate Affairs (MCA) has vide its letter No. 47/91/2011-CL-III dated February 8, 2011, read with General Circular No. 2/2011 dated February 8, 2011 and General Circular No. 3/2011 dated February 21, 2011, has exempted the Company from attaching to its Balance Sheet, certain information in respect of its subsidiaries specified in Section 212(1) of the Companies Act, 1956.

2. The annual accounts of the subsidiary companies are available for inspection at the Registered Office of the Company

FUTURE CAPITAL HOLDINGS LIMITED
MUMBAI

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax : +91 22 6192 1000

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of Capital First Limited**

**Report on the Condensed Interim Consolidated Financial Statements**

We have audited the accompanying Condensed Interim Consolidated Financial Statements of Capital First Limited ("the Company") and its subsidiaries, (collectively the "Group"), which comprise the Condensed Interim Consolidated Balance Sheet as at December 31, 2014, and the Condensed Interim Consolidated Statement of Profit and Loss for the quarter and nine months then ended and Condensed Interim Consolidated Cash Flow Statement for the nine months then ended, and a summary of select explanatory notes (together referred to as "Condensed Interim Consolidated Financial Statements").

**Management's Responsibility for the Condensed Interim Consolidated Financial Statements**

Management is responsible for the preparation of these Condensed Interim Consolidated Financial Statements in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, specified under the Companies Act, 1956 (which are deemed to be applicable as per section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Condensed Interim Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Condensed Interim Consolidated 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 Condensed Interim Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Condensed Interim Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Condensed Interim Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the Condensed Interim Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Condensed Interim Consolidated 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 accompanying Condensed Interim Consolidated Financial Statements have been prepared, in all material respects, in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, specified under the Companies Act, 1956 (which are deemed to be applicable as per section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India.

**Other matters**

We did not audit the financial statement of one subsidiary, prepared under the generally accepted accounting principles in India, whose financial statement reflects total assets of Rs. 5,567,841 as at December 31, 2014, the total revenue of Rs. 22,162 for the quarter and Rs. 41,711,812 for the nine month ended December 31, 2014 and net cash outflow amounting to Rs. 205,400,648 for the nine months ended then ended, as accounted in the Condensed Interim Consolidated Financial Statements of the Company, on the basis of unaudited financial statement as certified and furnished to us by the management and our opinion is based solely on this management certified financial statement.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E

**per Shrawan Jalan**
Partner
Membership Number: 102102
Mumbai
Date: February 10, 2015

CAPITAL FIRST LIMITED

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | Note no. | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 3 | 831,308,440 | 820,217,560 |
| Reserves and Surplus | 4 | 11,820,110,875 | 10,889,948,769 |
| | | **12,651,419,315** | **11,710,166,329** |
| **Share application money pending allotment** | | - | 8,356,250 |
| **Non - Current Liabilities** | | | |
| Long term borrowings | 5 | 49,057,161,532 | 55,700,918,424 |
| Other Long term liabilities | 6 | 453,645,384 | 383,626,184 |
| Long term provisions | 7 | 977,389,827 | 952,874,963 |
| | | **50,488,196,743** | **57,037,419,571** |
| **Current Liabilities** | | | |
| Short term borrowings | 8 | 16,806,795,709 | 14,664,463,805 |
| Trade payables | 9 | 826,960,903 | 660,269,188 |
| Other current liabilities | 10 | 26,882,042,725 | 16,862,382,570 |
| Short term provisions | 11 | 455,003,298 | 379,011,459 |
| | | **44,970,802,635** | **32,566,127,022** |
| **TOTAL** | | **108,110,418,693** | **101,322,069,172** |
| **ASSETS** | | | |
| **Non - Current Assets** | | | |
| Fixed Assets | | | |
| - Tangible assets | 12 | 165,694,852 | 224,008,025 |
| - Intangible assets | 12 | 46,626,300 | 51,631,400 |
| - Goodwill on Consolidation (Refer note 31) | | - | 64,487,572 |
| | | **212,321,152** | **340,126,997** |
| Deferred tax assets (Net) | 13 | 357,548,276 | 170,803,486 |
| Long term loans and advances | 14 | 67,621,338,968 | 50,085,189,227 |
| Other non current assets | 15 | 2,522,872,364 | 2,517,637,077 |
| | | **70,714,080,760** | **53,113,756,787** |
| **Current Assets** | | | |
| Current Investments | 16 | 676,894,955 | 3,474,223,726 |
| Trade receivables | 17 | 223,919,055 | 93,597,317 |
| Cash and Bank Balances | 18 | 11,387,594,688 | 20,130,751,477 |
| Short term loans and advances | 19 | 22,511,983,686 | 22,410,596,064 |
| Other current assets | 20 | 2,595,945,549 | 2,099,143,801 |
| | | **37,396,337,933** | **48,208,312,385** |
| **TOTAL** | | **108,110,418,693** | **101,322,069,172** |

Select explanatory notes are an integral part of the Condensed Interim Consolidated Financial Statements

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

**For and on behalf of the Board of Directors of**
**CAPITAL FIRST LIMITED**

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

Capital First Limited Mumbai

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

*Place: Mumbai*
Date : February 10, 2015

Place: Mumbai
Date : February 10, 2015

CAPITAL FIRST LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | Note no. | For the nine months ended December 31, 2014 | For the nine months ended December 31, 2013 | For the quarter ended December 31, 2014 | For the quarter ended December 31, 2013 |
|---|---|---|---|---|---|
| Revenue from Operations | 21 | 10,402,630,169 | 7,658,551,128 | 3,789,320,842 | 2,727,540,417 |
| Other Income | 22 | 165,508,602 | 66,816,693 | 9,031,336 | 29,786,742 |
| **Total revenue** | | 10,568,138,771 | 7,725,367,821 | 3,798,352,178 | 2,757,327,159 |
| **Expenses** | | | | | |
| Employee benefits expense | 23 | 1,021,947,269 | 957,107,474 | 359,612,261 | 288,415,816 |
| Finance costs | 24 | 5,869,526,878 | 4,734,325,642 | 2,046,397,595 | 1,669,319,346 |
| Depreciation and Amortisation expense | 25 | 72,146,415 | 43,624,401 | 24,595,664 | 14,613,677 |
| Other expenses | 26 | 2,446,989,200 | 1,563,783,392 | 913,998,891 | 594,733,015 |
| **Total Expenses** | | 9,410,609,762 | 7,298,840,909 | 3,344,704,331 | 2,567,081,854 |
| **Profit before tax** | | 1,157,529,009 | 426,526,912 | 453,647,847 | 190,245,305 |
| **Tax expense:** | | | | | |
| - Current tax | | 593,128,346 | 198,386,968 | 228,491,478 | 102,202,768 |
| - Minimum Alternative Tax (MAT) Credit entitlement | | (358,612) | - | 584,174 | 1,340,000 |
| - Deferred tax credit (Refer note 2.1(a)) | | (183,287,509) | (74,689,108) | (76,635,590) | (36,798,084) |
| - Tax for earlier years | | 15,101 | 1,002,559 | - | (40,341) |
| | | 409,497,326 | 124,700,419 | 152,440,062 | 66,704,343 |
| **Profit for the nine months/ quarter from Continuing Operations** | (A) | 748,031,683 | 301,826,493 | 301,207,785 | 123,540,962 |
| **Profit/(loss) before tax from discontinuing operations** | | 37,565,015 | (68,556,689) | (84,436) | (20,871,027) |
| Tax expense of discontinuing operations | | 7,512,384 | 5,267,953 | 2,000,380 | 1,521,842 |
| **Profit/(loss) from discontinuing operations (after tax)** | (B) | 30,052,631 | (73,824,642) | (2,084,816) | (22,392,869) |
| **Profit for the nine months/ quarter** | (A)+(B) | 778,084,314 | 228,001,851 | 299,122,969 | 101,148,093 |
| **Earning per equity share:** | 27 | | | | |
| - Basic | | 9.39 | 3.21 | 3.60 | 1.42 |
| - Diluted | | 9.06 | 3.19 | 3.48 | 1.42 |

Select explanatory notes are an integral part of the Condensed Interim Consolidated Financial Statements

As per our report of even date

For S.R. BATLIBOI & CO. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

per Shrawan Jalan
Partner
Membership No.102102

Place: Mumbai
Date : February 10, 2015

For and on behalf of the Board of Directors of
CAPITAL FIRST LIMITED

V. Vaidyanathan
Chairman &
Managing Director

N. C. Singhal
Director

Pankaj Sanklecha
Chief Financial Officer &
Head-Corporate Centre

Satish Gaikwad
Company Secretary

Place: Mumbai
Date : February 10, 2015

Capital First Limited Mumbai

CAPITAL FIRST LIMITED

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | For the year ended December 31, 2014 | For the year ended March 31, 2014 |
|---|---|---|
| **Net Cash used in Operating Activities** | **(15,930,199,240)** | **(12,340,818,856)** |
| **Net Cash generated from / (used in) Investing Activities** | **3,144,563,990** | **(2,941,580,075)** |
| **Net Cash generated from Financing Activities** | **4,043,117,529** | **23,498,420,119** |
| **Net (decrease) / Increase in Cash and Cash Equivalents during the period** | **(8,742,517,721)** | **8,216,021,188** |
| Cash and Cash equivalents at beginning of the period | 19,929,112,409 | 11,713,091,221 |
| **Cash and Cash equivalents at the end of the period** | **11,186,594,688** | **19,929,112,409** |

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| **Cash and Cash equivalents comprises of :** | | |
| Cash in Hand | 93,284,032 | 139,406,694 |
| Balance with Banks | | |
| - in unpaid dividend accounts (Refer note 3 below) | 1,734,892 | 1,372,017 |
| - in unpaid share application money (Refer note 3 below) | 1,901,580 | 1,932,180 |
| - in current account | 11,065,174,184 | 11,104,866,026 |
| - in deposit accounts having original maturity less than three months | 24,500,000 | 8,681,535,492 |
| Total | 11,186,594,688 | 19,929,112,409 |

**Notes:**

1 The above Condensed Interim Consolidated Cash Flow Statement has been prepared under the "Indirect Method " as set out in Accounting Standard (AS) - 3 'Cash Flow Statements' and AS 25 - 'Interim Financial Reporting' specified under the Companies Act, 1956 (which is deemed to be applicable as per Section 133 of the Companies Act, 2013) (the 'Act') read with Rule 7 of the Companies (Accounts) Rules, 2014.

2 Cash and cash equivalents in the balance sheet comprises of Cash in hand and Cash at bank.

3 The balances are not available for use by the Company as they represent corresponding unpaid dividend liability and unpaid share application money.

As per our report of even date

For S.R. BATLIBOI & CO. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

per Shrawan Jalan
Partner
Membership No.102102

Place: Mumbai
Date : February 10, 2015

For and on behalf of the Board of Directors of
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N. C. Singhal
Director

Pankaj Sanklecha
Chief Financial Officer &
Head-Corporate Centre

Satish Gaikwad
Company Secretary

Place: Mumbai
Date : February 10, 2015

Capital First Limited Mumbai

CAPITAL FIRST LIMITED

**SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014**

1 **SIGNIFICANT ACCOUNTING POLICIES**

a) **BASIS OF PREPARATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The Condensed Interim Consolidated Financial Statements comprise of the Financial Statements of Capital First Limited (the 'Company' or 'CFL') and its subsidiaries (hereinafter collectively referred to as the 'Group').

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with recognition and measurement principles laid down in Accounting Standard (AS) 21 - "Consolidated Financial Statements" and AS 25 - "Interim Financial Reporting" specified under the Companies Act, 1956 (which are deemed to be applicable as per Section 133 of the Companies Act, 2013) (the 'Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India (IGAAP) and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The Condensed Consolidated Financial Statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards ('AS') are followed by the Company insofar as they are not inconsistent with the NBFC Regulation. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

b) **PRINCIPLES OF CONSOLIDATION**

i. The Condensed Interim Consolidated Financial Statements of the Company have been prepared in accordance with recognition and measurement principles laid down in AS - 21 "Consolidated Financial Statements". The financial statements of these group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of Inter Company transactions are eliminated on consolidation.

The Condensed Interim Financial Statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.

The Condensed Interim Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any, to the extent possible unless otherwise stated, are made in the Condensed Consolidated Financial Statements and are presented in the same manner as the Company's standalone Condensed Financial Statements.

ii. The subsidiary companies considered in the presentation of the Condensed Interim Consolidated Financial Statements are:

| Particulars | Country of incorporation | Proportion of ownership interest as at December 31, 2014 | Proportion of ownership interest as at December 31, 2013 | Financial year ends on |
|---|---|---|---|---|
| Subsidiaries : | | | | |
| Capital First Investment Advisory Limited | India | 100% | 100% | 31st March |
| Capital First Commodities Limited | India | 100% | 100% | 31st March |
| Anchor Investment & Trading Private Limited | Mauritius | 100% | 100% | 31st March |
| Capital First Home Finance Private Limited | India | 100% | 100% | 31st March |
| Capital First Securities Limited | India | 100% | 100% | 31st March |

For the purpose of Condensed Interim Consolidated Financial Statements, the results of CFL and its subsidiaries for the nine months ended December 31, 2014 have been derived from the respective Company's Audited Condensed Financial Statements except Condensed Financial Statement of the foreign subsidiary which is certified by the management.

2 **GOODWILL ON CONSOLIDATION**

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the Consolidated Financial Statements as goodwill. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The Goodwill on consolidation is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired.

2.1 **Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. Any revision to the accounting estimates is recognised prospectively.

a) Pursuant to the Companies Act, 2013 (the "Act") becoming effective from April 01, 2014, the Company has recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II of the Act. This has resulted in additional charge of depreciation of Rs.9,982,704 and Rs.24,330,190 for the quarter and nine months ended December 31, 2014 respectively. Further, as per the transitional provision, the Company has adjusted Rs. 6,713,819 (net of deferred tax) in the opening balance of Surplus in Statement of Profit and Loss.

b) The Company has opted for early phased compliance with RBI notification vide notification no. RBI/2014-15/299 dated November 10, 2014, which requires increased provision on standard assets in a phased manner over a period of three years. As a result of which provision and write offs include amount of Rs. 43,870,730 towards higher provisioning on standard assets.

2.2 **ACCOUNTING POLICIES**

The accounting policies followed in the preparation of these Condensed Interim Consolidated Financial Statements are consistent with those followed in the previous year except as stated below:

During the quarter ended September 30, 2014, the Company had changed its accounting policy related to accounting of debenture issue expenses. The debenture issues expenses which are allowed by the Companies Act, 2013, to be charged against Securities Premium under Reserves and Surplus is now being amortised over the life of debentures on a conservative basis. Consequent to the change in accounting policy, other borrowing costs for the quarter and nine months ended December 31, 2014 is higher by Rs. 1,231,250 and Rs. 4,685,317 respectively.

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Capital First Limited Mumbai

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| **3 Share Capital** | | |
| **Authorized:** | | |
| 103,000,000 (Previous Year: 103,000,000) Equity shares of Rs. 10/- each | 1,030,000,000 | 1,030,000,000 |
| 10,000,000 (Previous Year: 10,000,000) Compulsorily Convertible Preference shares ('CCPS') of Rs. 10/- each | 100,000,000 | 100,000,000 |
| | 1,130,000,000 | 1,130,000,000 |
| **Issued, subscribed and fully paid up:** | | |
| 83,130,844 (Previous Year: 82,631,469) Equity shares of Rs. 10/- each | 831,308,440 | 826,314,690 |
| Less: Nil (Previous Year: 609,713 shares) held by Employee Welfare Trusts but not alloted to Employees (Refer note 30) | - | (6,097,130) |
| | 831,308,440 | 820,217,560 |
| **4 Reserves and Surplus** | | |
| **Capital Reserve** | | |
| Balance as per last Balance Sheet | 592,500,000 | 592,500,000 |
| Add : Transferred during the nine months/ year | - | - |
| | 592,500,000 | 592,500,000 |
| **Statutory Reserve under Section 45-IC of the RBI Act, 1934** | | |
| Balance as per last Balance Sheet | 643,978,117 | 570,010,981 |
| Add: Transferred from Statement of Profit and Loss | - | 73,967,136 |
| | 643,978,117 | 643,978,117 |
| **Statutory Reserve under Section 29C of the National Housing Bank Act, 1987** | | |
| Balance as per last Balance Sheet | 3,441,198 | - |
| Add: Transferred from Statement of Profit and Loss | - | 3,441,198 |
| | 3,441,198 | 3,441,198 |
| **Securities Premium Account** | | |
| Balance as per last Balance Sheet | 8,666,606,626 | 7,060,970,721 |
| Add : Received during the nine months/ year | 73,448,713 | 1,669,107,451 |
| Less : Securities issue expenses | | |
| - Debentures issue expenses | - | (53,518,295) |
| - Equity issue expenses | - | (9,953,251) |
| | 8,740,055,339 | 8,666,606,626 |
| Less: Nil (Previous Year: 609,713 shares) held by Employee Welfare Trusts but not alloted to Employees (Refer note 30) | - | (142,937,870) |
| | 8,740,055,339 | 8,523,668,756 |
| **Foreign Exchange Fluctuation Reserve** | | |
| Balance as per last Balance Sheet | 40,617,137 | 22,953,947 |
| Add : (Deletion) / Addition during the nine months/ year | (39,149,972) | 17,663,190 |
| | 1,467,165 | 40,617,137 |
| **General Reserve** | | |
| Balance as per last Balance Sheet | 153,794,773 | 126,057,097 |
| Add : Transferred from Statement of Profit and Loss | - | 27,737,676 |
| | 153,794,773 | 153,794,773 |
| **Surplus in the Statement of Profit and Loss** | | |
| Balance as per last Balance Sheet | 931,948,788 | 676,224,632 |
| Less: Accelerated Depreciation as per the Companies Act, 2013 (Refer note 2.1) | (6,713,819) | - |
| Less: Loss in recovery of advances granted to Employee Welfare Trusts (Refer note 30) | (18,445,000) | - |
| Add: Profit for the nine months/ year | 778,084,314 | 526,282,104 |
| Less: Appropriations: | | |
| Transfer to statutory reserve u/s 45-IC of the RBI Act, 1934 | - | (73,967,136) |
| Transfer to statutory reserve u/s 29C of the National Housing Bank Act, 1987) | - | (3,441,198) |
| Proposed dividend (Previous year Rs. 1.80 per year) | - | (165,411,938) |
| Transfer to general reserve | - | (27,737,676) |
| | 1,684,874,283 | 931,948,788 |
| | 11,820,110,875 | 10,889,948,769 |

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SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | Non Current Portion | | Current Maturities* | |
|---|---|---|---|---|
| | As at December 31, 2014 | As at March 31, 2014 | As at December 31, 2014 | As at March 31, 2014 |
| 5 Long term borrowings | | | | |
| **Secured** | | | | |
| Redeemable Non Convertible Debentures | 2,000,000,000 | 5,743,000,000 | 4,067,000,000 | 648,000,000 |
| Term Loans | | | | |
| - from Banks | 40,407,224,738 | 43,807,985,320 | 17,755,490,979 | 11,956,131,805 |
| **Unsecured** | | | | |
| Redeemable Non Convertible Perpetual Debentures | 1,900,000,000 | 1,400,000,000 | - | - |
| Redeemable Non Convertible Debentures (Subordinated debt) | 2,000,000,000 | 2,000,000,000 | - | - |
| Term Loans | | | | |
| - from Banks (Subordinate debt) | 2,749,936,794 | 2,749,933,104 | - | - |
| - from Banks (Other) | - | - | 500,000,000 | 1,250,000,000 |
| | 49,057,161,532 | 55,700,918,424 | 22,322,490,979 | 13,854,131,805 |

* Amount disclosed under the head 'Other current liabilities' (Refer note 10)

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**SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014**

*Amount in Rupees*

| | Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|---|
| 6 | **Other Long term liabilities** | | |
| | Unamortised processing fees/ subvention income | 453,645,384 | 383,626,184 |
| | | 453,645,384 | 383,626,184 |
| 7 | **Long term Provisions** | | |
| | For standard assets (Refer note 2.1(b)) | 199,492,095 | 123,859,372 |
| | For doubtful loans and advances | 336,017,342 | 226,532,958 |
| | For doubtful deposits | - | 300,000 |
| | For foreclosure/ credit loss on assignment | 416,053,017 | 583,797,171 |
| | Provisions for employee benefits | | |
| | - Gratuity | 25,827,373 | 18,385,462 |
| | | 977,389,827 | 952,874,963 |
| 8 | **Short term Borrowings** | | |
| | **Secured** | | |
| | Loans repayable on demand | | |
| | - from banks | 10,606,023,151 | 14,664,463,805 |
| | **Unsecured** | | |
| | Commercial papers | 6,200,772,558 | - |
| | | 16,806,795,709 | 14,664,463,805 |

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**SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014**

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| **9 Trade Payables** | | |
| To Micro, Small and Medium Enterprises | - | - |
| Others | 826,960,903 | 660,269,188 |
| | 826,960,903 | 660,269,188 |
| **10 Other current liabilities** | | |
| Current maturities of Long term borrowings (Refer note 5) | 22,322,490,979 | 13,854,131,805 |
| Interest accrued and due on borrowings | 24,578,726 | 21,010,205 |
| Interest accrued but not due on borrowings | 574,762,769 | 265,649,451 |
| Income received in advance | 4,055,985 | 2,255,809 |
| Overdrawn Book balance | 1,116,838,394 | 834,130,004 |
| Unamortised processing fees/ subvention income | 847,885,158 | 519,395,153 |
| Unclaimed dividends | 1,734,892 | 1,372,017 |
| Unclaimed Share Application Money | 1,901,580 | 1,932,180 |
| Security Deposits | - | 978,539 |
| Other liabilities (Refer note 32) | 1,987,794,242 | 1,361,527,407 |
| | 26,882,042,725 | 16,862,382,570 |
| **11 Short term provisions** | | |
| Proposed dividend | - | 165,411,938 |
| Provision for employee benefits | | |
| - Gratuity | 2,859,708 | 2,042,830 |
| - Leave encashment and availment | 3,463,632 | 5,941,489 |
| For standard assets (Refer note 2.1(b)) | 69,553,937 | 54,779,950 |
| For doubtful loans and advances | 205,257,717 | 30,974,764 |
| For doubtful debts | 32,359,724 | 30,052,502 |
| For doubtful deposits | 2,125,000 | 1,825,000 |
| For foreclosure/ credit loss on assignment | 139,373,580 | 87,982,986 |
| | 455,003,298 | 379,011,459 |

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CAPITAL FIRST LIMITED

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

12 Fixed Assets

*Amount in Rupees*

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION / AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2014 | Additions during the period | Deletions during the period | As at December 31, 2014 | As at April 1, 2014 | For the period | Accelerated Depreciation (Refer note 2.1(a)) | Deductions | As at December 31, 2014 | As at December 31, 2014 | As at March 31, 2014 |
| **Tangible Assets** | | | | | | | | | | | |
| **Own assets** | | | | | | | | | | | |
| Land * | 625,000 | - | - | 625,000 | - | - | - | - | - | 625,000 | 625,000 |
| Computers and Printers | 94,419,038 | 2,203,623 | 128,883 | 96,493,778 | 44,247,836 | 24,141,739 | 5,279,832 | 75,532 | 74,593,875 | 21,899,903 | 50,171,202 |
| Server & Networking | 86,505,365 | 4,636,417 | 160,592 | 91,081,190 | 41,177,078 | 8,383,003 | 38,887 | 83,984 | 49,515,084 | 41,566,106 | 45,428,287 |
| Office Equipment | 66,316,713 | 6,026,315 | 1,670,708 | 70,672,321 | 18,930,885 | 13,694,604 | 3,251,949 | 484,396 | 35,393,042 | 35,279,279 | 47,385,828 |
| Furniture and Fixtures | 44,621,337 | 4,600,647 | 4,986,752 | 44,635,232 | 13,702,061 | 3,939,034 | - | 1,660,212 | 15,980,883 | 28,654,349 | 31,119,276 |
| Electrical Installation | 20,604,041 | 1,783,061 | 1,841,916 | 20,545,186 | 2,270,000 | 1,767,629 | - | 329,347 | 3,708,282 | 16,836,904 | 18,334,041 |
| Air Conditioners | 2,564,210 | - | 477,942 | 2,086,268 | 1,273,228 | 132,679 | 566,500 | 216,721 | 1,755,688 | 330,582 | 1,290,982 |
| Leasehold Improvements | 66,849,206 | 3,183,254 | 11,710,846 | 58,321,614 | 37,195,797 | 8,183,906 | - | 7,570,818 | 37,818,885 | 20,502,729 | 29,653,409 |
| **Sub-Total (A)** | **382,804,910** | **22,633,318** | **20,977,639** | **384,460,589** | **158,796,885** | **60,252,594** | **10,137,268** | **10,421,010** | **218,765,737** | **155,694,852** | **224,008,025** |
| **Intangible Assets** | | | | | | | | | | | |
| Domain Names and Trade Names | 1,630,656 | - | - | 1,630,656 | 1,603,029 | 5,538 | - | - | 1,608,567 | 22,089 | 27,627 |
| Data Processing Software | 102,511,348 | 6,922,919 | - | 109,434,267 | 50,907,575 | 11,888,283 | 34,198 | - | 62,830,056 | 46,604,211 | 51,603,773 |
| **Sub-Total (B)** | **104,142,004** | **6,922,919** | **-** | **111,064,923** | **52,510,604** | **11,893,821** | **34,198** | **-** | **64,438,623** | **46,626,300** | **51,631,400** |
| **Total (A+B)** | **486,946,914** | **29,556,237** | **20,977,639** | **495,525,512** | **211,307,489** | **72,146,415** | **10,171,466** | **10,421,010** | **283,204,360** | **212,321,152** | **275,639,425** |

*Mortgaged as security against Secured Non Convertible Debentures

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SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| **13 Deferred tax assets (Net)** | | |
| **Deferred tax asset:** | | |
| On account of depreciation on fixed assets | 31,971,379 | 19,108,492 |
| On other disallowances under Income Tax Act, 1961 | | |
| - Retirement Benefit | 9,754,138 | 6,943,576 |
| - Provision for doubtful debts | 10,999,070 | 10,152,039 |
| - Provision for doubtful retail loans | 181,206,983 | 85,763,194 |
| - Unamortised Processing fees | 442,197,542 | 306,851,934 |
| - Provision for standard assets | 91,341,675 | 60,669,608 |
| - Other disallowance | 176,587 | 2,753,807 |
| | 767,881,511 | 492,242,650 |
| **Deferred tax liability:** | | |
| Special Reserve | 1,923,626 | 1,116,496 |
| Unamortised loan origination cost | 313,885,810 | 223,343,596 |
| Unamortised borrowing costs | 94,523,799 | 96,979,072 |
| | 410,333,235 | 321,439,164 |
| **Net Deferred tax assets (Refer note 2.1(a))** | 357,548,276 | 170,803,486 |
| **14 Long term loans and advances:** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity (Refer note 33) | 59,898,049,554 | 45,183,617,517 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity (Refer note 33) | 1,007,821,843 | 387,966,081 |
| *Unsecured, considered good* | | |
| Capital advances | 23,153,024 | 7,971,955 |
| Security Deposits | 76,226,104 | 75,176,679 |
| Loans and advances relating to financing activity | 5,773,573,706 | 3,302,885,668 |
| Receivables under loans assigned | 193,890,559 | 348,054,548 |
| Advances recoverable in cash or in kind or for value to be received | 12,806,848 | 14,480,841 |
| Advance taxes (net of provision for tax) | 553,937,855 | 738,796,053 |
| | 6,633,588,096 | 4,487,365,744 |
| *Unsecured, considered doubtful* | | |
| Loans and advances relating to financing activity | 63,503,505 | 25,939,885 |
| Receivables under loans assigned | 18,075,970 | |
| Security Deposits | 300,000 | 300,000 |
| | 81,879,475 | 26,239,885 |
| | 67,621,338,868 | 50,085,189,227 |
| **15 Other non current assets:** | | |
| Unamortised loan origination cost | 447,182,515 | 381,322,825 |
| Unamortised borrowing costs | 199,099,699 | 208,978,270 |
| Balances with banks | | |
| - In deposit accounts exceeding twelve months maturity | 1,876,590,150 | 1,927,335,982 |
| | 2,522,872,364 | 2,517,637,077 |

* includes under lien Rs. 1,551,355,262 (Previous year Rs. 1,602,101,094) relating to assignment, Rs. 325,044,888 (Previous year Rs. 325,044,888) relating to term loans and Rs. 190,000 (Previous year Rs. 190,000) relating to Statutory taxes.

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SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | Quantity | As at December 31, 2014 | Quantity | As at March 31, 2014 |
|---|---|---|---|---|
| **16 Current Investments** | | | | |
| **Investments in Equity Instruments (Quoted):** | | | | |
| *Investments in Others:* | | | | |
| In fully paid up equity shares of Rs.10/- each | | | | |
| Tata Coffee Limited | 299,496 | 286,003,705 | - | - |
| Entertainment Network (India) Limited | 40,000 | 19,320,000 | - | - |
| | | 305,323,705 | | - |
| **Trade Investments** | | | | |
| **Investments in Equity Shares: (Unquoted)** | | | | |
| Equity Shares of Rs. 10 each, fully paid-up: | | | | |
| IndoSpace Rohan Industrial Park Private Limited | 7,146 | 2,194,608 | 7146 | 2,194,608 |
| IndoSpace Rohan Industrial Park Mahalunge Private Limited | 105 | 2,001,735 | 105 | 2,001,735 |
| IndoSpace Rohan Industrial Park Khed Private Limited | 166 | 2,433,583 | 166 | 2,433,583 |
| IndoSpace Rohan Industrial Park Pune Private Limited | 105 | 2,005,232 | 105 | 2,005,232 |
| Indospace SKCL Industrial Park Orgadem Private Limited | 12,025 | 1,656,444 | 12025 | 1,656,444 |
| Indospace FWS Industrial Park Private Limited | 3,957 | 779,648 | 3957 | 779,648 |
| **Total** | | 11,071,250 | | 11,071,250 |
| **Investments in Commercial Papers** | | - | 7,000 | 3,463,152,476 |
| **Investments in Mutual funds** | | | | |
| Birla Sunlife Cash Plus-Growth | 820,397.049 | 180,250,000 | - | - |
| DSP BlackRock Liquidity Fund- Growth | 92,030.883 | 180,250,000 | - | - |
| | | 676,894,955 | | 3,474,223,726 |

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**SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014**

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| **17 Trade receivables** | | |
| Trade receivables exceeding six months | | |
| - Unsecured, considered doubtful | 32,359,724 | 25,987,319 |
| | 32,359,724 | 25,987,319 |
| Other debts | | |
| - Unsecured, considered good | 191,559,331 | 63,544,815 |
| - Unsecured, considered doubtful | - | 4,065,183 |
| | 191,559,331 | 67,609,998 |
| | 223,919,055 | 93,597,317 |
| **18 Cash and Bank Balances** | | |
| **Cash and Cash Equivalents:** | | |
| Cash on hand * | 93,284,032 | 139,406,694 |
| Balances with Banks | | |
| - in unclaimed dividend accounts | 1,734,892 | 1,372,017 |
| - in unclaimed share application money | 1,901,560 | 1,932,180 |
| - in current accounts | 11,065,174,184 | 11,104,856,026 |
| - in deposit accounts having original maturity less than three months | 24,500,000 | 8,681,535,492 |
| | 11,186,594,688 | 19,929,112,409 |
| **Other Bank Balances** | | |
| Deposit with original maturity for more than three months but less than twelve months | | |
| - in fixed deposit accounts # | 200,000,000 | 200,639,068 |
| - in fixed deposit account earmarked against Trade Guarantee Fund | 1,000,000 | 1,000,000 |
| | 11,387,594,688 | 20,130,751,477 |

*Includes Cash in transit amounting to Rs. 24,869,486 (Previous year Rs. 12,098,144)
# Includes under lien Rs. 200,000,000 (Previous year Rs. 20,000,000 )relating to assignment.

| | | |
|---|---|---|
| **19 Short term loans and advances** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity (Refer note 33)* | 12,220,345,617 | 15,521,280,791 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity (Refer note 33)* | 99,315,156 | 31,150,274 |
| *Unsecured, considered good* | | |
| Loans and advances relating to financing activity * | 9,830,994,875 | 5,146,776,852 |
| Receivables under loans assigned | 119,752,334 | 144,894,197 |
| Advances to staff | - | 10,000,000 |
| Advances recoverable in cash or in kind or for value to be received | 117,659,048 | 1,474,914,839 |
| Security Deposits | 12,846,668 | 16,814,153 |
| *Unsecured, considered doubtful* | | |
| Security Deposits | 1,825,000 | 1,825,000 |
| Loans and advances relating to financing activity * | 100,640,175 | 57,751,135 |
| Receivables under loans assigned | 2,234,109 | |
| Advances recoverable in cash or in kind or for value to be received | 6,370,704 | 5,188,823 |
| | 22,511,983,686 | 22,410,596,064 |

* Includes current maturities of long term loans and advances and overdue advances.

| | | |
|---|---|---|
| **20 Other Current Assets** | | |
| Receivables from exchange (Refer note 32) | 733,562,176 | 736,520,172 |
| Interest accrued and due | 68,015,613 | 12,982,273 |
| Interest accrued but not due | 1,187,930,568 | 951,401,300 |
| Unamortised loan origination cost | 477,061,264 | 276,053,373 |
| Unamortised borrowing costs | 79,197,213 | 76,355,179 |
| Unbilled Subvention Income | 50,178,715 | 45,831,504 |
| | 2,596,945,549 | 2,099,143,801 |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

CAPITAL FIRST LIMITED

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | For the nine months ended December 31, 2014 | For the nine months ended December 31, 2013 | For the quarter ended December 31, 2014 | For the quarter ended December 31, 2013 |
|---|---|---|---|---|
| **21 Revenue from operations** | | | | |
| Interest income | 9,460,298,377 | 7,074,394,244 | 3,412,883,005 | 2,523,509,259 |
| Other financial services | | | | |
| Fee income | 773,894,572 | 428,913,841 | 322,717,055 | 161,328,231 |
| Income from assignment of loans | 150,038,476 | 65,007,118 | 46,053,097 | 28,540,973 |
| Management fees | - | 1,825,840 | - | - |
| Commission and brokerage income | 19,200,744 | 88,429,985 | 4,766,785 | 14,161,955 |
| | 10,402,530,169 | 7,658,551,128 | 3,789,320,842 | 2,727,540,417 |
| **22 Other Income** | | | | |
| Profit on sale of current investments (net) | 141,303,313 | 56,638,118 | 9,031,336 | 28,657,703 |
| Interest on income tax refund | 23,808,269 | 6,975,561 | - | - |
| Excess provision written back | 397,050 | 73,075 | - | - |
| Other non operating income | - | 1,129,039 | - | 1,129,039 |
| | 165,508,632 | 65,815,693 | 9,031,336 | 29,786,742 |
| **23 Employee Benefits Expense** | | | | |
| Salaries and wages | 959,377,787 | 901,138,159 | 337,151,544 | 269,500,206 |
| Contribution to provident and other funds | 34,373,981 | 31,784,202 | 11,313,795 | 9,476,075 |
| Staff Welfare Expense | 28,195,501 | 24,175,113 | 11,146,942 | 9,439,535 |
| | 1,021,947,269 | 957,107,474 | 359,612,281 | 288,415,816 |
| **24 Finance Costs** | | | | |
| Interest expense | 5,506,845,627 | 4,541,075,468 | 1,831,098,315 | 1,646,660,669 |
| Other borrowing costs (Refer note 2.2) | 362,681,251 | 193,250,174 | 215,299,280 | 22,658,677 |
| | 5,869,526,878 | 4,734,325,642 | 2,046,397,595 | 1,669,319,346 |
| **25 Depreciation and Amortisation expense** | | | | |
| Depreciation on Fixed Assets (Refer note 2.1(a)) | 60,252,594 | 31,191,438 | 20,436,718 | 10,855,440 |
| Amortisation of intangible assets | 11,893,821 | 12,432,963 | 4,193,846 | 3,758,237 |
| | 72,146,415 | 43,624,401 | 24,625,564 | 14,613,677 |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

*Amount in Rupees*

| Particulars | For the nine months ended December 31, 2014 | For the nine months ended December 31, 2013 | For the quarter ended December 31, 2014 | For the quarter ended December 31, 2013 |
|---|---|---|---|---|
| 26 Other expenses | | | | |
| Rent | 112,793,011 | 169,091,868 | 36,708,891 | 33,660,667 |
| Repairs others | 59,810,463 | 51,352,864 | 22,225,392 | 15,061,725 |
| Insurance | 4,388,480 | 2,879,425 | 1,344,725 | 949,977 |
| Rates and taxes | 7,840,862 | 11,245,762 | 3,190,387 | 6,821,500 |
| Auditors Remuneration | | | | |
| - as auditor | 5,737,500 | 3,937,500 | 1,777,500 | 1,312,500 |
| - Tax audit fees | 187,500 | 111,483 | 187,500 | 111,483 |
| - for Certification and others | 354,017 | 272,360 | 60,000 | 196,010 |
| - for reimbursement of expenses | 345,494 | 357,651 | 144,321 | 195,346 |
| Business promotion expenses | 20,128,763 | 18,723,032 | 7,582,078 | 13,076,912 |
| Commission and brokerage | 25,076,987 | 21,231,256 | 3,598,220 | 8,721,567 |
| Travelling expenses | 69,954,342 | 53,308,477 | 25,858,083 | 20,994,063 |
| Communication expenses | 83,692,712 | 54,628,583 | 24,954,272 | 18,644,585 |
| Printing and stationery | 18,306,539 | 17,466,845 | 6,136,093 | 7,015,711 |
| Recruitment expenses | 8,935,620 | 7,925,824 | 2,285,730 | 4,162,387 |
| Membership and subscription | 2,772,335 | 3,197,640 | 1,189,163 | 603,964 |
| Advertisement and publicity expenses | 52,881,601 | 29,591,009 | 16,852,603 | 9,120,925 |
| Electricity charges | 24,455,472 | 23,564,613 | 8,120,533 | 7,326,387 |
| Amortised loan origination cost | 441,725,550 | 331,216,149 | 188,071,395 | 114,848,250 |
| Provision and Write offs: | | | | |
| Provision for doubtful loans and advances | 287,579,270 | 156,483,129 | 88,786,263 | 57,098,726 |
| Provision for MTM in investments | 688,841 | - | 688,841 | - |
| Provision for standard assets (Refer note 2.1(b)) | 90,406,710 | 23,445,782 | 55,743,361 | 20,756,881 |
| Bad loans and trade receivables written off (net of recovery) | 354,719,582 | 213,772,349 | 160,148,047 | 87,468,632 |
| | 733,394,412 | 393,707,260 | 305,366,512 | 175,324,299 |
| Loss on sale of fixed asset (including write off) (net) | 9,569,524 | 10,227,582 | 6,574,284 | 3,571,463 |
| Goodwill Written Off (Refer note 31) | 64,487,572 | - | - | - |
| Donations | 500,000 | 300,000 | - | - |
| Legal and professional charges | 455,634,473 | 250,674,956 | 154,828,859 | 98,239,540 |
| CMS Charges | 57,814,287 | 39,423,330 | 17,548,077 | 2,200,539 |
| Directors sitting fees | 1,079,328 | 640,448 | 272,360 | 191,124 |
| Collection expenses | 187,109,979 | 86,613,230 | 66,808,104 | 35,976,238 |
| Remuneration to non whole time directors | | | | |
| - Commission | 4,500,000 | 4,046,649 | 1,500,000 | 1,250,000 |
| Miscellaneous expenses | 35,582,878 | 37,707,515 | 11,001,829 | 13,939,552 |
| | 2,446,989,200 | 1,563,783,392 | 913,998,891 | 594,733,015 |

27 Earnings per equity share ('EPS')

| | | | | |
|---|---|---|---|---|
| **Basic EPS** | | | | |
| Net Profit considered for Basic EPS calculation | 778,024,314 | 228,001,851 | 299,122,969 | 101,148,093 |
| Weighted average number of equity shares | 82,908,611 | 71,024,324 | 83,078,366 | 71,024,324 |
| Nominal value per equity share | 10.00 | 10.00 | 10.00 | 10.00 |
| **Earning per equity share - Basic** | 9.39 | 3.21 | 3.60 | 1.42 |
| **Diluted EPS** | | | | |
| Net Profit considered for Basic EPS calculation | 778,024,314 | 228,001,851 | 299,122,969 | 101,148,093 |
| Weighted average number of equity shares | 82,908,611 | 71,024,324 | 83,078,366 | 71,024,324 |
| Add: Weighted number of equity shares under options | 2,930,584 | 405,415 | 2,930,584 | 260,314 |
| Weighted average number of diluted equity shares | 85,839,195 | 71,429,739 | 86,008,950 | 71,284,638 |
| Nominal value per equity share | 10.00 | 10.00 | 10.00 | 10.00 |
| **Earning per equity share - Diluted** | 9.06 | 3.19 | 3.48 | 1.42 |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

**SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014**

**28 Contingent liabilities**

Contingent Liabilities not provided for in respect of:

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| Corporate guarantee given by group to banks | 90,190,000 | 90,190,000 |
| Liability on account of retail trades | - | 1,900,000 |
| Income-tax matters under dispute * | 51,974,963 | 36,233,160 |

* Future cash outflows are determinable only on receipt of judgements /decisions pending with various forums/authorities.

*Amount in Rupees*

| Particulars | As at December 31, 2014 | As at March 31, 2014 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on | 15,261,604 | 19,497,916 |
| Commitments relating to loans sanctioned but undrawn | 1,327,284,494 | 1,208,395,838 |

**29 Related Party Disclosures**

Names of related parties where control exists irrespective of whether transactions have occurred or not:

| Relationship | Name of the Party |
|---|---|
| Holding Company | Cloverdell Investment Ltd. |

Names of other related parties with whom transactions have taken place during the quarter:

| Relationship | Name of the Party |
|---|---|
| Fellow subsidiaries | Dayside Investment Ltd |
| Key Management Personnel | Mr. V. Vaidyanathan - Chairman and Managing Director |
| Enterprises significantly influenced by key management personnel | JV & Associates LLP |

Refer Annexure 1 for the transactions with related parties for the nine months ended December 31, 2014.
Refer Annexure 2 for the transactions with related parties for the quarter ended December 31, 2014.

30 The Company had extended loans to its Employee Welfare Trusts ('Trusts') for purchase of shares of the Company. As per the Guidance Note issued by the ICAI on Accounting for Employee Share-based payment, till March 31, 2014, the Company adjusted the loan of Rs. 149,035,000 granted to the Trusts against the Share Capital to the tune of Rs. 6,097,130 and Securities Premium to the tune of Rs. 142,937,870 in respect of 609,713 shares held by the Trusts. During the quarter ended June 30, 2014, the Trusts had sold all the shares held by them. An amount of Rs. 130,590,000 had been received by the Company from the Trust till September 30, 2014. Post the sale, the Share Capital and Securities Premium has been reinstated by an aggregate amount of Rs. 149,035,000 and the shortfall of Rs 18,445,000, after adjusting the repayment received from the Trusts is adjusted against the Reserves & Surplus.

31 The Company was carrying goodwill of Rs. 64,487,572 arising on consolidation and which pertains to a subsidiaries engaged in advisory business. During the quarter ended June 30, 2014, the Company carried out an impairment testing of goodwill. Since the advisory business was terminated, the Company had written off the entire amount of goodwill in the previous quarter. There is no further goodwill carried in Company's books.

32 One of the Subsidiary of the Company has exposure to National Spot Exchange Limited (NSEL) of Rs. 733,562,176 with respect to trade relationship of its clients with NSEL. Based on the contracts with its clients and legal opinion obtained by the Company, the subsidiary being a broker would not incur any liability to its clients, consequent to the payment crisis at NSEL. The subsidiary would recognize its brokerage income on receipt basis, on the amount received from NSEL on behalf of its clients.

33 Subsequent to the quarter ended December 31, 2014, the Company has decided to exit gold loan business. The gold loan portfolio as of December 31, 2014 is Rs. 4,793,327,362.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

34 Figures for previous quarter/nine months/year have been regrouped and/or reclassified wherever considered necessary, to conform to current quarter's classifications.

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

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

Place: Mumbai
Date : February 10, 2015

**For and on behalf of the Board of Directors of**
**CAPITAL FIRST LIMITED**

**V. Vaidyanathan**
Chairman &
Managing Director

**N. C. Singhal**
Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date : February 10, 2015

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

CAPITAL FIRST LIMITED
SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

**Annexure 1**

**Transactions with Related parties for the nine months ended December 31, 2014**

*Amount in Rupees*

| Relationship | Holding Company | | Key Management Personnel | |
|---|---|---|---|---|
| Period | April 01,2014 to December 31,2014 | April 01,2013 to December 31,2013 | April 01,2014 to December 31,2014 | April 01,2013 to December 31,2013 |
| **Managerial Remuneration** | | | | |
| - Mr. V. Vaidyanathan | - | - | 29,999,997 | 29,999,997 |
| **Closing Balances : Receivable / (Payable)** | **As at December 31, 2014** | **As at March 31, 2014** | | |
| Advances Recoverable / (Payable) | - | - | | |

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Capital First Limited Mumbai

CAPITAL FIRST LIMITED
SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2014

**Annexure 2**

**Transactions with Related parties for the nine months ended December 31, 2014**

*Amount in Rupees*

| Relationship | Holding Company | | Key Management Personnel | |
|---|---|---|---|---|
| Period | October 01, 2014 to December 31, 2014 | October 01, 2013 to December 31, 2013 | October 01, 2014 to December 31, 2014 | October 01, 2013 to December 31, 2013 |
| **Managerial Remuneration** | | | | |
| - Mr. V. Vaidyanathan | - | - | 9,999,999 | 9,999,999 |
| **Closing Balances : Receivable / (Payable)** | **As at December 31, 2014** | **As at March 31, 2014** | | |
| Advances Recoverable / (Payable) | - | - | | |

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax : +91 22 6192 1000

**Independent Auditor's Report**
**To the Board of Directors of Capital First Limited**

**Report on the Consolidated Interim Financial Statements**

We have audited the accompanying condensed consolidated financial statements of Capital First Limited ("the Company") and its subsidiaries, collectively the "Group"), which comprise the condensed consolidated Balance Sheet as at December 31, 2013, and the condensed consolidated Statement of Profit and Loss for the quarter and nine months then ended and condensed consolidated Cash Flow Statement for the nine months then ended, and a Selected Explanatory Notes (together referred to as "Consolidated Interim Financial Statements").

**Management's Responsibility for the Consolidated Interim Financial Statements**

Management is responsible for the preparation of these Consolidated Interim Financial Statements in conformity with the requirements of Accounting Standard ("AS") 25 "Interim Financial Reporting", notified under the provisions of the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Consolidated Interim 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 Consolidated Interim Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Interim Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Interim Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the Consolidated Interim Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Interim 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 accompanying Consolidated Interim Financial Statements have been prepared, in all material respects, in accordance with the requirements of Accounting Standard (AS) 25 notified under the provisions of the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013.

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

**Other matters**

We did not audit the financial statement of one subsidiary, prepared under the generally accepted accounting principles in India, whose financial statement reflects total assets of Rs. 299,399,918 as at December 31, 2013, the total revenue of Rs. 360,277 for the quarter and Rs. 18,835,093 for the nine months ended December 31, 2013 and net cash inflow amounting to Rs. 16,254,942 for the nine months ended then ended, as accounted in the Consolidated Interim Financial Statements of the Company, on the basis of unaudited financial statement as certified and furnished to us by the management and our opinion is based solely on this management certified financial statement.

**Other matters - restriction of use**

The accompanying Consolidated Interim Financial Statements have been prepared, and this report thereon issued, solely for the purpose of internal use by management of the Company. Accordingly, this report should not be used, referred to or distributed for any other purpose without our prior written consent.

**For S.R. BATLIBOI & CO. LLP**
**Chartered Accountants**
ICAI Firm's Registration Number: 301003E

**per Shrawan Jalan**
Partner
Membership Number: 102102

Place: Mumbai
Date: February 3, 2014

CAPITAL FIRST LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2013

*Amount in Rupees*

| Particulars | Note no. | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 3 | 704,146,110 | 704,146,110 |
| Reserves and Surplus | 4 | 9,096,742,238 | 8,902,979,508 |
| | | 9,800,888,348 | 9,607,125,618 |
| **Non - Current Liabilities** | | | |
| Long term borrowings | 5 | 51,675,509,174 | 44,215,257,016 |
| Other Long term liabilities | 6 | 375,765,677 | 291,750,490 |
| Long term provisions | 7 | 868,668,265 | 852,707,861 |
| | | 52,920,943,116 | 45,359,715,367 |
| **Current Liabilities** | | | |
| Short term borrowings | 8 | 10,775,414,954 | 10,702,904,537 |
| Trade payables | 9 | 510,343,930 | 551,762,928 |
| Other current liabilities | 10 | 13,509,103,086 | 8,601,024,927 |
| Short term provisions | 11 | 387,979,673 | 530,730,152 |
| | | 25,282,841,643 | 20,386,422,544 |
| **TOTAL** | | 88,004,673,107 | 75,353,263,529 |
| **ASSETS** | | | |
| **Non - Current Assets** | | | |
| Fixed Assets | | | |
| - Tangible assets | 12 | 228,821,357 | 256,183,303 |
| - Intangible assets | 12 | 56,687,656 | 70,045,771 |
| - Goodwill on Consolidation | | 64,487,572 | 64,487,572 |
| | | 349,996,585 | 390,716,646 |
| Non - current investments | 13 | 11,071,250 | 11,071,250 |
| Deferred tax assets (Net) | 14 | 161,209,385 | 86,742,589 |
| Long term loans and advances | 15 | 47,795,576,628 | 39,871,809,588 |
| Other non current assets | 16 | 2,232,807,675 | 2,154,454,925 |
| | | 50,550,661,523 | 42,514,794,998 |
| **Current Assets** | | | |
| Current Investments | 17 | 930,000,000 | - |
| Trade receivables | 18 | 268,861,909 | 389,885,957 |
| Cash and Bank Balances | 19 | 12,856,563,465 | 12,206,030,431 |
| Short term loans and advances | 20 | 22,107,742,133 | 19,250,512,936 |
| Other current assets | 21 | 1,290,844,077 | 992,039,207 |
| | | 37,454,011,584 | 32,838,468,531 |
| **TOTAL** | | 88,004,673,107 | 75,353,263,529 |

Select explanatory notes are an integral part of the Condensed Consolidated Financial Statements

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**
ICAI Firm Registration No. 301003E
Chartered Accountants

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

S R Batliboi & Co. LLP Mumbai

Place: Mumbai
Date : February 03, 2014

**For and on behalf of the Board of Directors of Capital First Limited**

**V. Vaidyanathan**
Chairman &
Managing Director

**Pankaj Sanklecha**
Chief Financial Officer &
Head-Corporate Centre

**Satish Gaikwad**
Company Secretary

Place: Mumbai
Date : February 03, 2014

CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2013

*Amount in Rupees*

| Particulars | Note no. | For the nine months ended December 31, 2013 | For the nine months ended December 31, 2012 | For the quarter ended December 31, 2013 | For the quarter ended December 31, 2012 |
|---|---|---|---|---|---|
| Revenue from Operations | 22 | 7,796,876,394 | 6,030,658,475 | 2,762,698,099 | 2,054,703,994 |
| Other Income | 23 | 19,148,949 | 18,739,341 | 1,257,732 | 12,107,166 |
| Total revenue | | 7,816,025,343 | 6,049,397,816 | 2,763,955,831 | 2,066,811,160 |
| Expenses | | | | | |
| Employee benefits expense | 24 | 1,004,517,174 | 1,059,347,659 | 297,292,026 | 358,896,232 |
| Finance costs | 25 | 4,735,767,158 | 3,531,915,260 | 1,687,618,635 | 1,163,407,261 |
| Depreciation and Amortisation expense | 26 | 49,062,386 | 52,347,275 | 15,915,379 | 17,109,110 |
| Other expenses | 27 | 1,668,688,402 | 922,718,387 | 613,755,511 | 368,201,615 |
| Total Expenses | | 7,458,055,120 | 5,566,328,800 | 2,594,581,551 | 1,907,614,218 |
| Profit before exceptional items and tax | | 357,970,223 | 483,069,016 | 169,374,280 | 159,196,942 |
| Exceptional Items | 28 | - | 223,600,000 | - | - |
| Profit before tax | | 357,970,223 | 706,669,016 | 169,374,280 | 159,196,942 |
| Tax expense: | | | | | |
| - Current tax (including Tax for earlier years Rs. 10,42,900 (Previous Period - Rs. 294,316)) | | 204,435,168 | 204,885,384 | 103,684,269 | 63,769,698 |
| - Minimum Alternative Tax (MAT) Credit entitlement | | - | - | 1,340,000 | - |
| - Deferred tax credit | | (74,466,796) | (47,757,075) | (36,798,085) | (12,248,744) |
| | | 129,968,372 | 157,128,309 | 68,226,184 | 51,521,952 |
| Profit for the nine months / quarter | | 228,001,851 | 549,540,707 | 101,148,096 | 107,674,990 |
| Earning per equity share: | 29 | | | | |
| - Basic (not annualised) | | 3.21 | 8.34 | 1.42 | 1.59 |
| - Diluted (not annualised) | | 3.19 | 8.18 | 1.42 | 1.52 |

Select explanatory notes are an integral part of the Condensed Consolidated Financial Statements

As per our report of even date

For S.R. BATLIBOI & CO. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No.102102

Place: Mumbai
Date : February 03, 2014

For and on behalf of the Board of Directors of
Capital First Limited

V. Vaidyanathan
Chairman &
Managing Director

Pankaj Sanklecha
Chief Financial Officer &
Head-Corporate Centre

Satish Gaikwad
Company Secretary

Place: Mumbai
Date : February 03, 2014

CAPITAL FIRST LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

*Amount in Rupees*

| Particulars | For the nine months ended December 31, 2013 | For the year ended March 31, 2013 |
|---|---|---|
| Net Cash used in Operating Activities | (6,157,301,475) | (12,226,696,491) |
| Net Cash (used in) / generated from Investing Activities | (446,581,272) | 1,998,759,738 |
| Net Cash generated from Financing Activities | 7,329,673,446 | 16,885,060,527 |
| Net Increase in Cash and Cash Equivalents during the nine months/ year | 725,790,699 | 6,657,123,774 |
| Cash and Cash equivalents at beginning of the nine months/ year | 11,713,091,221 | 5,055,967,447 |
| Cash and Cash equivalents at the end of the nine months / year | 12,438,881,920 | 11,713,091,221 |

| | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| Cash and Cash equivalents comprises of : | | |
| Cash in Hand | 121,589,312 | 160,444,810 |
| Balance with Banks | | |
| - in unpaid dividend accounts (Refer note 3 below) | 1,374,556 | 882,521 |
| - in unpaid share application money (Refer note 3 below) | 2,023,980 | 2,023,980 |
| - in current account | 12,313,894,072 | 9,549,739,910 |
| - in deposit accounts having original maturity less than three months | - | 2,000,000,000 |
| Total | 12,438,881,920 | 11,713,091,221 |

Notes:

1 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) - 3 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.

2 Cash and cash equivalents in the balance sheet comprises of Cash in hand and Cash at bank.

3 The balances are not available for use by the Company as they represent corresponding unpaid dividend liability and unpaid share application money.

As per our report of even date

For S.R. BATLIBOI & CO. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No.102102

S.R. Batliboi & Co. LLP Mumbai

Place: Mumbai
Date : February 03, 2014

For and on behalf of the Board of Directors of
Capital First Limited

V. Vaidyanathan
Chairman &
Managing Director

Pankaj Sanklecha
Chief Financial Officer &
Head-Corporate Centre

Satish Gaikwad
Company Secretary

Place: Mumbai
Date : February 03, 2014

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013**

## 1 SIGNIFICANT ACCOUNTING POLICIES

### a) BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Financial Statements comprise of the Financial Statements of Capital First Limited (the 'Company' or 'CFL') and its subsidiaries (hereinafter collectively referred to as the 'Group').

The Condensed Consolidated Financial Statements have been prepared to comply in all material respects with the notified Accounting Standard ('AS') by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 (the 'Act') read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013 and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The Condensed Consolidated Financial Statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards ('AS') are followed by the Company insofar as they are not inconsistent with the NBFC Regulation. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

### b) PRINCIPLES OF CONSOLIDATION

i. The Condensed Consolidated Financial Statements of the Company have been prepared in accordance with recognition and measurement principles laid down in AS - 25 "Interim Financial Reporting" and AS - 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI). The financial statements of these group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of Inter Company transactions are eliminated on consolidation.

The Condensed Financial Statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.

The Condensed Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any, to the extent possible unless otherwise stated, are made in the Condensed Consolidated Financial Statements and are presented in the same manner as the Company's standalone Condensed Financial Statements.

ii. The subsidiary companies considered in the presentation of the Condensed Consolidated Financial Statements are:

| Particulars | Country of incorporation | Proportion of ownership interest as at December 31, 2013 | Proportion of ownership interest as at December 31, 2012 | Financial year ends on |
|---|---|---|---|---|
| Subsidiaries : | | | | |
| Capital First Investment Advisory Limited | India | 100% | 100% | 31st March |
| Myra Mall Management Company Limited ## | India | NA | 100% | 31st March |
| Future Finance Limited ## | India | NA | 100% | 31st March |
| Capital First Commodities Limited | India | 100% | 100% | 31st March |
| Anchor Investment & Trading Private Limited | Mauritius | 100% | 100% | 31st March |
| Capital First Home Finance Private Limited | India | 100% | 100% | 31st March |
| Capital First Securities Limited | India | 100% | 100% | 31st March |

For the purpose of Condensed Consolidated Financial Statements, the results of CFL and its subsidiaries for the nine months ended December 31, 2013 have been derived from the respective Company's Condensed Financial Statements which has been certified by management.

## Subsidiaries sold in previous year

## 2 GOODWILL ON CONSOLIDATION

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the consolidated financial statements as goodwill/ capital reserve. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The Goodwill on consolidation is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired.

## 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies followed in the preparation of these Consolidated Financial Statements are same as those followed for the year ended March 31, 2013 unless otherwise specifically mentioned below.

**Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

**Accounting for Derivative Instruments**

Derivatives are financial instruments falling under the category of "fair value through profit and loss" as defined under Accounting Standard (AS) 30 - Financial Instruments: Recognition and Measurement.

The Company has used derivative financial instruments such as commodity futures for trading purpose which are initially recorded at fair value. The same are subsequently measured at fair value at each reporting date with their fair valuation gain / loss taken to Statement of Profit & Loss.

On final settlement or squaring up of contracts for commodity futures, the realised profit or loss after adjusting the unrealised loss, if any, is recognised in the Statement of Profit & Loss.

S R Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| **3 Share Capital** | | |
| **Authorized:** | | |
| 103,000,000 (Previous Year: 103,000,000) Equity shares of Rs. 10/- each | 1,030,000,000 | 1,030,000,000 |
| 10,000,000 (Previous Year: 10,000,000) Compulsorily Convertible Preference shares ('CCPS') of Rs. 10/- each | 100,000,000 | 100,000,000 |
| | 1,130,000,000 | 1,130,000,000 |
| **Issued, subscribed and fully paid up:** | | |
| 71,024,324 (Previous Year: 71,024,324) equity shares of Rs. 10/- each | 710,243,240 | 710,243,240 |
| Less: 609,713 equity shares of Rs. 10/- each (Previous Year: 609,713) held by Employee Welfare Trusts but not alloted to Employees | (6,097,130) | (6,097,130) |
| | 704,146,110 | 704,146,110 |
| **4 Reserves and Surplus** | | |
| **Capital Reserve** | | |
| Balance as per last Balance Sheet | 592,500,000 | 592,500,000 |
| Add : Transferred during the nine months / year | - | - |
| | 592,500,000 | 592,500,000 |
| **Statutory Reserve under Section 45-IC of the RBI Act, 1934** | | |
| Balance as per last Balance Sheet | 570,010,981 | 430,693,592 |
| Less: Reduction on account of sale of subsidiary i.e. Future Finance Limited | - | (230,209) |
| Less: Adjusted as per contra | (6,628,348) | - |
| Add: Transferred from Statement of Profit and Loss | - | 139,547,589 |
| | 563,382,633 | 570,010,981 |
| **Securities Premium Account** | | |
| Balance as per last Balance Sheet | 7,060,970,721 | 6,317,364,827 |
| Add : Received during the nine months / year | - | 945,149,929 |
| Less : Debenture issue expenses | (53,518,295) | (201,544,035) |
| | 7,007,452,426 | 7,060,970,721 |
| Less: 609,713 equity shares (Previous Year: 609,713) issued to Employee Welfare Trusts but not alloted to Employees | (145,737,870) | (145,737,870) |
| | 6,861,714,556 | 6,915,232,851 |
| **Foreign Exchange Fluctuation Reserve** | 42,233,121 | 22,953,947 |
| **General Reserve** | | |
| Balance as per last Balance Sheet | 126,057,097 | 73,726,751 |
| Add : Transferred from Statement of Profit and Loss | - | 52,330,346 |
| | 126,057,097 | 126,057,097 |
| **Surplus in the Statement of Profit and Loss** | | |
| Balance as per last Balance Sheet | 676,224,632 | 353,832,703 |
| Add: Loss of subsidiary excluded on sale | - | 32,745,571 |
| Add: Adjusted as per contra | 6,628,348 | - |
| Add: Profit for the nine months / year | 228,001,851 | 631,095,127 |
| Less: Appropriations: | | |
| Transfer to statutory reserve u/s 45-IC of the RBI Act, 1934 | - | (139,547,589) |
| Proposed dividend (Previous year Rs. 1.80 per share) | - | (127,843,783) |
| Dividend tax thereon | - | (21,727,051) |
| Transfer to general reserve | - | (52,330,346) |
| | 910,854,831 | 676,224,632 |
| | 9,096,742,238 | 8,902,979,508 |

S R Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | Non Current Portion | | Current Maturities* | |
|---|---|---|---|---|
| | As at December 31, 2013 | As at March 31, 2013 | As at December 31, 2013 | As at March 31, 2013 |
| **5 Long term borrowings** | | | | |
| **Secured** | | | | |
| Redeemable Non Convertible Debentures | 6,067,000,000 | 6,891,000,000 | 324,000,000 | 250,000,000 |
| Term Loans | | | | |
| - from Banks | 39,458,537,146 | 31,824,498,686 | 10,338,491,667 | 7,133,333,333 |
| **Unsecured** | | | | |
| Redeemable Non Convertible Perpetual Debentures | 1,400,000,000 | 1,250,000,000 | - | - |
| Redeemable Non Convertible Debentures (Subordinated debt) | 2,000,000,000 | 1,500,000,000 | - | - |
| Term Loans | | | | |
| - from Banks (Subordinate debt) | 2,749,972,028 | 2,749,758,330 | - | - |
| - from Banks (Other) | - | - | 1,250,000,000 | |
| | 51,675,509,174 | 44,215,257,016 | 11,912,491,667 | 7,383,333,333 |

* Amount disclosed under the head 'Other current liabilities' (Refer note no. 10)

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| **6 Other Long term liabilities** | | |
| Unamortised processing fees/ subvention income | 373,335,932 | 289,320,745 |
| Others | 2,429,745 | 2,429,745 |
| | **375,765,677** | **291,750,490** |
| **7 Long term Provisions** | | |
| For standard assets | 117,861,288 | 100,670,681 |
| For doubtful loans and advances | 173,684,728 | 48,586,725 |
| For foreclosure/ credit loss on assignment | 556,944,526 | 686,640,688 |
| Provisions for employee benefits | | |
| - Gratuity | 21,177,723 | 16,809,767 |
| | **869,668,265** | **852,707,861** |

S R Batliboi & Co LLP Mumbai

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| **8 Short term Borrowings** | | |
| **Secured** | | |
| Loans repayable on demand | | |
| - from banks | 10,775,414,954 | 10,454,609,921 |
| **Unsecured** | | |
| Commercial papers | - | 248,294,616 |
| | **10,775,414,954** | **10,702,904,537** |

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CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended *December 31, 2013***

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| **9 Trade Payables** | | |
| To Micro, Small and Medium Enterprises | - | - |
| Others | 610,343,930 | 551,762,928 |
| | **610,343,930** | **551,762,928** |
| **10 Other current liabilities** | | |
| Current maturities of Long term borrowings (Refer note 5) | 11,912,491,667 | 7,383,333,333 |
| Interest accrued and due on borrowings | 16,886,659 | 18,053,983 |
| Interest accrued but not due on borrowings | 571,389,245 | 248,812,938 |
| Income received in advance | 2,082,426 | 2,995,381 |
| Advance received from Customers | 16,240,988 | 2,487,427 |
| Overdrawn Book balance | 3,107,407 | 173,152,768 |
| Unamortised processing fees/ subvention income/ discount income on CP | 477,412,995 | 283,839,226 |
| Unclaimed dividends | 1,374,556 | 882,521 |
| Unclaimed Share Application Money | 2,023,980 | 2,023,980 |
| Security Deposits | 4,243,443 | 4,789,115 |
| Other liabilities | 501,849,720 | 480,654,255 |
| | **13,509,103,086** | **8,601,024,927** |
| **11 Short term provisions** | | |
| Proposed dividend | - | 127,843,783 |
| Dividend tax thereon | - | 21,727,051 |
| Provision for employee benefits | | |
| - Gratuity | 2,353,080 | 1,867,752 |
| - Leave encashment and availment | 3,550,142 | 16,912,254 |
| For standard assets | 57,414,449 | 49,159,273 |
| For doubtful loans and advances | 31,684,242 | 11,295,961 |
| For doubtful debts | 179,904,887 | 113,659,632 |
| For doubtful deposits | 1,825,000 | 1,825,000 |
| For foreclosure/ credit loss on assignment | 102,372,060 | 182,236,866 |
| For income tax (net of advance taxes) | 8,875,813 | 4,202,580 |
| | **387,979,673** | **530,730,152** |

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CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013

12 Fixed Assets

*Amount in Rupees*

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2013 | Additions during the period | Deletions/ Adjustments during the period | As at December 31, 2013 | As at April 1, 2013 | For the period | Deletions/ Adjustments during the period | As at December 31, 2013 | As at December 31, 2013 | As at March 31, 2013 |
| **Tangible Assets** | | | | | | | | | | |
| **Own assets** | | | | | | | | | | |
| Land * | 625,000 | - | - | 625,000 | - | - | - | - | 625,000 | 625,000 |
| Computers and Printers | 198,394,489 | 19,203,315 | 32,541,108 | 185,056,696 | 98,463,241 | 18,502,375 | 23,948,021 | 91,016,595 | 94,040,101 | 101,931,248 |
| Office Equipment | 70,564,791 | 4,154,474 | 10,044,002 | 64,675,263 | 21,106,012 | 2,622,487 | 4,909,940 | 18,818,559 | 45,856,704 | 49,458,779 |
| Furniture and Fixtures | 65,013,511 | 2,644,038 | 13,922,939 | 53,734,610 | 24,636,717 | 2,577,582 | 10,042,122 | 17,172,157 | 36,562,453 | 40,376,794 |
| Electrical Installation | 20,274,068 | 1,208,712 | 816,542 | 20,666,238 | 1,373,756 | 736,792 | 77,365 | 2,033,183 | 18,633,055 | 18,900,312 |
| Air Conditioners | 7,262,734 | 917,341 | 4,324,807 | 3,855,268 | 5,182,660 | 90,728 | 2,883,286 | 2,390,102 | 1,465,166 | 2,080,074 |
| Leasehold Improvements | 126,119,586 | 1,819,597 | 53,266,413 | 74,672,770 | 83,308,490 | 9,516,344 | 49,790,942 | 43,033,892 | 31,638,878 | 42,811,096 |
| Vehicles | 2,063,163 | - | - | 2,063,163 | 2,063,163 | - | - | 2,063,163 | - | - |
| Generator set | - | - | - | - | - | - | - | - | - | - |
| **Sub-Total (A)** | 490,317,342 | 29,947,477 | 114,915,811 | 405,349,008 | 234,134,039 | 34,046,288 | 91,652,676 | 176,527,651 | 228,821,357 | 256,183,303 |
| **Intangible assets** | | | | | | | | | | |
| Domain Names and Trade Names | 1,630,656 | - | - | 1,630,656 | 1,595,679 | 5,538 | - | 1,601,217 | 29,439 | 34,977 |
| Data Processing Software | 118,736,252 | 7,078,969 | 11,291,350 | 114,523,871 | 48,725,458 | 15,010,560 | 5,870,364 | 57,865,654 | 56,658,217 | 70,010,794 |
| **Sub-Total (B)** | 120,366,908 | 7,078,969 | 11,291,350 | 116,154,527 | 50,321,137 | 15,016,098 | 5,870,364 | 59,466,871 | 56,687,656 | 70,045,771 |
| **Total (A+B)** | 610,684,250 | 37,026,446 | 126,207,161 | 521,503,535 | 284,455,176 | 49,062,386 | 97,523,040 | 235,994,522 | 285,509,013 | 326,229,074 |

*Mortgaged as security against Secured Non Convertible Debentures

S.R. Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013

*Amount in Rupees*

| Name of the Company | Quantity | As at December 31, 2013 | Quantity | As at March 31, 2013 |
|---|---|---|---|---|
| **13 Non - Current Investments** | | | | |
| **Trade Investments: (Valued at Cost unless otherwise stated)** | | | | |
| **Investments in Equity Instruments (Unquoted):** | | | | |
| Others: | | | | |
| In fully paid up equity shares of Rs.10 each | | | | |
| IndoSpace Rohan Industrial Park Private Limited | 7,146 | 2,194,608 | 7,146 | 2,194,608 |
| IndoSpace Rohan Industrial Park Mahalunge Private Limited | 105 | 2,001,735 | 105 | 2,001,735 |
| IndoSpace Rohan Industrial Park Khed Private Limited | 166 | 2,433,583 | 166 | 2,433,583 |
| IndoSpace Rohan Industrial Park Pune Private Limited | 105 | 2,005,232 | 105 | 2,005,232 |
| IndoSpace SKCL Industrial Park Orgadem Private Limited | 12,025 | 1,656,444 | 12,025 | 1,656,444 |
| IndoSpace FWS Industrial Park Private Limited | 3,957 | 779,648 | 3,957 | 779,648 |
| | | 11,071,250 | | 11,071,250 |

S R Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| **14 Deferred tax assets (Net)** | | |
| **Deferred tax asset:** | | |
| On account of depreciation on fixed assets | 23,576,442 | 33,600,055 |
| On other disallowances under Income Tax Act, 1961 | | |
| - Retirement Benefit | 7,998,120 | 6,348,489 |
| - Provision for doubtful debts | 15,217,200 | 9,462,434 |
| - Provision for doubtful retail loans | 66,734,315 | 19,238,054 |
| - Unamortised Processing fees | 288,331,342 | 194,817,074 |
| - Provision for standard assets | 58,991,739 | 50,927,202 |
| - Other disallowance | 4,342,266 | 620,000 |
| | 465,191,424 | 315,013,308 |
| **Deferred tax liability:** | | |
| Unamortised loan origination cost | 211,914,295 | 164,452,487 |
| Unamortised borrowing costs | 92,067,744 | 63,818,232 |
| | 303,982,039 | 228,270,719 |
| **Net Deferred tax assets** | 161,209,385 | 86,742,589 |
| **15 Long term loans and advances:** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity | 43,741,583,819 | 38,059,276,550 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity | 436,337,407 | 165,017,779 |
| *Unsecured, considered good* | | |
| Capital advances | 14,076,977 | 9,066,358 |
| Security Deposits | 83,288,628 | 104,647,307 |
| Loans and advances relating to financing activity | 2,516,480,310 | 447,857,713 |
| Receivables under loans assigned | 432,378,759 | 646,302,612 |
| Advances to staff | 10,000,000 | 10,000,000 |
| Advances recoverable in cash or in kind or for value to be received | 79,832,546 | 89,464,927 |
| Advance taxes (net of provision for tax) | 475,663,339 | 333,833,627 |
| | 3,611,720,559 | 1,641,172,544 |
| *Unsecured, considered doubtful* | | |
| Loans and advances relating to financing activity | 5,934,843 | 6,342,715 |
| | 47,795,576,628 | 39,871,809,588 |
| **16 Other non current assets:** | | |
| Unamortised loan origination cost | 411,689,884 | 346,981,676 |
| Unamortised borrowing costs | 205,269,790 | 140,573,514 |
| Balances with banks | | |
| - in deposit accounts exceeding twelve months maturity | 1,615,848,001 | 1,666,899,735 |
| | 2,232,807,675 | 2,154,454,925 |

S R Batliboi & Co LLP Mumbai

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | Quantity | As at December 31, 2013 | Quantity | As at March 31, 2013 |
|---|---|---|---|---|
| **17 Current Investments** | | | | |
| **Investments In Commercial Papers** | 1000 | 500,000,000 | - | - |
| **Investments in Mutual funds: (At Net Asset Value)** | | | | |
| ICICI Mutual Fund-Growth | 542,192.601 | 100,000,000 | - | - |
| Peerless Liquid Fund - Growth | 19,224,707.356 | 330,000,000 | - | - |
| | | 930,000,000 | | - |

S R Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

**Select explanatory notes to the Condensed Consolidated Financial Statements for the nine months ended December 31, 2013**

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| **18 Trade receivables** | | |
| Trade receivables exceeding six months | | |
| - Secured, considered good | 60,206 | 483,472 |
| - Unsecured, considered doubtful | 41,467,565 | 28,311,069 |
| | 41,527,771 | 28,794,541 |
| Other debts | | |
| - Secured, considered good | 94,797 | 125,506,543 |
| - Unsecured, considered good | 88,802,019 | 231,188,210 |
| - Unsecured, considered doubtful | 138,437,322 | 4,396,663 |
| | 227,334,138 | 361,091,416 |
| | 268,861,909 | 389,885,957 |
| **19 Cash and Bank Balances** | | |
| **Cash and Cash Equivalents:** | | |
| Cash on hand * | 121,589,312 | 160,444,810 |
| Balances with Banks | | |
| - in unclaimed dividend accounts | 1,374,556 | 862,521 |
| - in unclaimed share application money | 2,023,980 | 2,023,980 |
| - in current accounts | 12,313,894,072 | 9,549,739,910 |
| - in deposit accounts having original maturity less than three months | - | 2,000,000,000 |
| | 12,438,881,920 | 11,713,091,221 |
| **Other Bank Balances:** | | |
| Deposit with original maturity for more than three months but less than twelve months | | |
| - in fixed deposit accounts | 300,627,076 | 302,000,000 |
| - in fixed deposit accounts lien against Bank Guarantee** | 116,054,469 | 189,939,210 |
| - in fixed deposit account earmarked against Trade Guarantee Fund | 1,000,000 | 1,000,000 |
| | 12,856,563,465 | 12,206,030,431 |

** Other Bank balances include a restricted fixed deposit of amount Rs.116,054,469 (Previous year Rs. 141,189,210) which was derived in terms of performance fees and received from third party as set out in a Service Agreement between the Company's subsidiary and third party. The afore-said performance fees is subject to the subsidiary's arrangement for a suitable guarantee to the party to meet upto 40% of the clawback obligation. The subsidiary has therefore entered into an Escrow agreement with the bank to provide the said guarantee to the extent of the monies deposited as restricted deposit. In consideration of these banking facilities, the bank has executed a lien.

*Includes Cash in transit amounting to Rs.17,590,000 (Previous year Rs.16,935,859)

| | | |
|---|---|---|
| **20 Short term loans and advances** | | |
| *Secured, considered good* | | |
| Loans and advances relating to financing activity * | 15,128,070,430 | 14,672,032,475 |
| Receivables under loans assigned | 1,577,000,000 | 2,169,000,000 |
| *Secured, considered doubtful* | | |
| Loans and advances relating to financing activity * | 36,329,050 | 11,673,356 |
| *Unsecured, considered good* | | |
| Loans and advances relating to financing activity * | 5,014,829,226 | 1,930,552,834 |
| Receivables under loans assigned | 144,894,197 | 164,227,487 |
| Advances recoverable in cash or in kind or for value to be received | 132,151,265 | 283,149,774 |
| Security Deposits | 14,054,945 | 4,501,683 |
| *Unsecured, considered doubtful* | | |
| Security Deposits | 1,825,000 | 1,825,000 |
| Loans and advances relating to financing activity * | 49,554,193 | 10,266,802 |
| Advances recoverable in cash or in kind or for value to be received | 9,033,827 | 3,283,525 |
| | 22,107,742,133 | 19,250,512,936 |

* Includes current maturities of long term loans and advances and overdue advances.

| | | |
|---|---|---|
| **21 Other Current Assets** | | |
| Interest accrued and due | 40,290,666 | 75,087,677 |
| Interest accrued but not due | 932,696,319 | 692,891,185 |
| Unamortised loan origination cost | 215,503,716 | 136,844,412 |
| Unamortised borrowing costs | 65,990,693 | 47,182,393 |
| Unbilled Subvention Income | 30,332,672 | 36,965,070 |
| Others | 6,030,011 | 3,068,470 |
| | 1,290,844,077 | 992,039,207 |

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013

*Amount in Rupees*

| Particulars | For the nine months ended December 31, 2013 | For the nine months ended December 31, 2012 | For the quarter ended December 31, 2013 | For the quarter ended December 31, 2012 |
|---|---|---|---|---|
| **22 Revenue from operations** | | | | |
| **Interest income** | 7,074,348,891 | 5,311,212,531 | 2,522,329,221 | 1,796,792,806 |
| **Other financial services** | | | | |
| Fee income | 426,913,041 | 144,526,032 | 161,328,231 | 51,120,802 |
| Rental income | - | 11,541,854 | - | 232,492 |
| Income from assignment of loans | 65,097,118 | 311,670,124 | 25,540,973 | 129,476,581 |
| Profit on sale of current investments (net) | 86,536,118 | 29,539,187 | 28,957,703 | 178,373 |
| Management fees | 20,455,569 | 56,207,959 | 301,104 | 18,611,817 |
| Commission and brokerage income | 161,512,657 | 157,608,729 | 21,540,867 | 56,291,123 |
| Profit on trading in commodities (net) | - | 6,352,068 | - | - |
| | 7,796,876,394 | 6,030,658,475 | 2,762,698,099 | 2,054,703,994 |
| **23 Other income** | | | | |
| Interest on income tax refund | 8,975,561 | 11,081,287 | - | 10,876,614 |
| Excess provision written back | 354,767 | 1,418,423 | 58,160 | 26,446 |
| Other non operating income | 9,818,621 | 6,239,631 | 1,199,572 | 1,204,106 |
| | 19,148,949 | 18,739,341 | 1,257,732 | 12,107,166 |
| **24 Employee Benefits Expense** | | | | |
| Salaries and wages | 947,287,487 | 1,010,420,288 | 279,214,819 | 343,027,044 |
| Contribution to provident and other funds | 32,699,954 | 31,381,262 | 8,791,136 | 8,252,747 |
| Staff Welfare Expense | 24,535,723 | 17,546,308 | 9,286,071 | 6,616,441 |
| | 1,004,517,174 | 1,059,347,858 | 297,292,026 | 358,896,232 |
| **25 Finance Costs** | | | | |
| Interest expense | 4,541,075,467 | 3,123,942,309 | 1,644,328,311 | 1,054,849,210 |
| Other borrowing costs | 194,711,691 | 407,972,971 | 23,290,324 | 108,558,051 |
| | 4,735,787,158 | 3,531,915,280 | 1,667,618,635 | 1,163,407,261 |
| **26 Depreciation and Amortisation expense** | | | | |
| Depreciation on Fixed Assets | 34,046,269 | 35,635,317 | 11,500,560 | 11,939,905 |
| Depreciation on Investment Property | - | 3,064,026 | - | - |
| Amortisation of intangible assets | 15,016,066 | 13,648,932 | 4,414,819 | 5,169,205 |
| | 49,062,335 | 52,347,275 | 15,915,379 | 17,109,110 |

S R Batliboi & Co LLP Mumbai

CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013

*Amount in Rupees*

| Particulars | For the nine months ended December 31, 2013 | For the nine months ended December 31, 2012 | For the quarter ended December 31, 2013 | For the quarter ended December 31, 2012 |
|---|---|---|---|---|
| **27 Other expenses** | | | | |
| Rent | 115,827,792 | 116,253,435 | 35,100,618 | 37,763,725 |
| Repairs others | 57,837,097 | 38,555,175 | 17,001,072 | 15,295,324 |
| Insurance | 3,212,015 | 4,437,892 | 1,061,323 | 701,398 |
| Rates and taxes | 12,681,163 | 16,197,447 | 7,538,437 | 10,426,352 |
| Auditors Remuneration | | | | |
| - as auditor | 4,872,302 | 4,904,540 | 1,803,277 | 1,829,535 |
| - Tax audit fees | 111,489 | - | 111,489 | - |
| - for Certification | 272,360 | 416,219 | 196,010 | 344,214 |
| - for reimbursement of expenses | 422,964 | 290,222 | 212,672 | 130,723 |
| Business promotion expenses | 16,863,639 | 19,173,618 | 13,758,431 | 9,812,151 |
| Commission and brokerage | 34,453,816 | 18,396,990 | 11,916,120 | 5,618,615 |
| Travelling expenses | 54,052,849 | 45,171,286 | 21,185,030 | 15,667,881 |
| Communication expenses | 58,207,061 | 46,465,562 | 19,744,940 | 15,336,443 |
| Printing and stationery | 19,615,125 | 13,839,661 | 8,258,484 | 5,581,316 |
| Recruitment expenses | 7,989,680 | 12,374,949 | 4,162,387 | 2,364,245 |
| Membership and subscription | 3,411,869 | 1,852,694 | 657,964 | 555,446 |
| Advertisement and Marketing expenses | 29,991,009 | 26,725,775 | 8,138,925 | 8,990,859 |
| Electricity charges | 24,469,200 | 17,813,519 | 7,223,540 | 8,288,994 |
| Amortised loan origination cost | 331,216,149 | 136,340,032 | 110,103,619 | 37,323,799 |
| Provision and Write offs: | | | | |
| Provision for doubtful loans and advances | 202,723,120 | 39,814,740 | 68,378,911 | 31,706,749 |
| Provision for standard assets | 23,445,782 | 11,664,096 | 20,755,881 | 8,064,096 |
| Bad loans and trade receivables written off (net of recovery) | 221,021,514 | 28,888,629 | 92,866,810 | 27,232,804 |
| | 447,189,416 | 80,067,465 | 182,001,602 | 67,003,649 |
| Loss on sale of fixed asset (including write off) (net) | 16,720,195 | 28,137,133 | 2,867,324 | 1,878,704 |
| Donations | 300,000 | 150,100 | - | 150,100 |
| Legal and professional charges | 254,349,169 | 181,828,355 | 91,996,992 | 71,497,199 |
| CMS Charges | 39,423,330 | 67,011,525 | 13,600,539 | 23,268,506 |
| Directors sitting fees | 709,038 | 1,623,806 | 214,381 | 582,651 |
| Collection expenses | 86,813,220 | 14,112,339 | 35,976,233 | 9,098,779 |
| Remuneration to non whole time directors | | | | |
| - Commission | 4,046,840 | 3,750,000 | 1,250,000 | 941,009 |
| Preliminary expenses written off | - | 485,024 | - | - |
| Miscellaneous expenses | 41,881,025 | 49,813,214 | 16,670,804 | 19,809,109 |
| | 1,668,658,402 | 922,716,387 | 613,755,511 | 368,201,815 |
| **28 Exceptional Items** | | | | |
| Profit on sale of subsidiaries (Refer note (i) below) | - | 223,600,000 | - | - |
| | - | 223,600,000 | - | - |

Note:

(i) During the year ended March 31, 2013, the Company has sold its stake in Myra Mall Management Company Limited vide Share Purchase Agreement dated July 09, 2012 for a consideration of Rs. 223,600,000. The profit of Rs. 223,600,000 on sale of shares has been reported as exceptional items.

**29 Earnings per equity share ('EPS')**

| | | | | |
|---|---|---|---|---|
| **Basic EPS** | | | | |
| Profit for the year after tax expense | 228,001,851 | 549,540,707 | 101,148,098 | 107,674,990 |
| Less: Accumulated Preference dividend | - | 803 | - | 778 |
| Net Profit considered for Basic EPS calculation | 228,001,851 | 549,539,904 | 101,148,098 | 107,674,212 |
| Weighted average number of equity shares | 71,024,324 | 65,864,702 | 71,024,324 | 67,884,904 |
| Nominal value per equity share | 10.00 | 10.00 | 10.00 | 10.00 |
| Earning per equity share - Basic | 3.21 | 8.34 | 1.42 | 1.59 |
| **Diluted EPS** | | | | |
| Net Profit considered for Basic EPS calculation | 228,001,851 | 549,539,904 | 101,148,098 | 107,674,212 |
| Weighted average number of equity shares | 71,024,324 | 65,864,702 | 71,024,324 | 67,884,904 |
| Add: Weighted number of equity shares under options | 406,415 | 213,309 | 406,415 | 71,392 |
| Add: Weighted number of equity shares under Compulsorily Convertible Preference Shares | - | 1,066,218 | - | 3,986,420 |
| Weighted average number of diluted equity shares | 71,430,739 | 67,144,229 | 71,430,739 | 71,942,696 |
| Nominal value per equity share | 10.00 | 10.00 | 10.00 | 10.00 |
| Earning per equity share - Diluted | 3.19 | 8.18 | 1.42 | 1.52 |

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CAPITAL FIRST LIMITED

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**Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013**

30 **Contingent liabilities**
Contingent Liabilities not provided for in respect of:

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| Guarantees given by Bank on behalf of the Group | - | 97,500,000 |
| Corporate guarantee given by group to banks | 90,000,000 | 190,000,000 |
| Liability on account of retail trades | 1,225,000 | 2,079,930 |
| Income-tax matters under dispute * | 36,233,160 | 36,233,160 |

* Future cash outflows are determinable only on receipt of judgements /decisions pending with various forums/authorities.

*Amount in Rupees*

| Particulars | As at December 31, 2013 | As at March 31, 2013 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 27,071,141 | 20,523,539 |
| Commitments relating to granting of loan | 957,679,981 | 1,582,048,088 |

31 **Related Party Disclosures**
Names of related parties where control exists irrespective of whether transactions have occurred or not:

| Relationship | Name of the Party |
|---|---|
| Holding Company | Cloverdell Investment Ltd. (w.e.f. November 2, 2012)<br>Pantaloon Retail (India) Limited (upto September 28, 2012) |

Names of other related parties with whom transactions have taken place during the nine months:

| Relationship | Name of the Party |
|---|---|
| Fellow subsidiaries | Dayside Investment Ltd (w.e.f. November 2, 2012)<br>Future E-Commerce Infrastructure Limited (upto September 28, 2012)<br>Future Value Retail Limited (upto September 28, 2012) |
| Key Management Personnel | Mr. V. Vaidyanathan - Chairman and Managing Director |
| Enterprises significantly influenced by key management personnel | JV & Associates LLP |

Refer Annexure 1 and 1A for the transactions with related parties for the nine months ended December 31, 2013.
Refer Annexure 2 and 2A for the transactions with related parties for the quarter ended December 31, 2013.

32 A subsidiary of the Company had executed Service Agreement whereunder the subsidiary will provide advisory services to the client in consideration of an annual fee. In relation to same, the client has disputed the amounts payable to subsidiary, subsequent to which based on legal advice, the subsidiary has initiated arbitration proceeding against the client. However on conservative basis the subsidiary has fully provided the amount recoverable from the client.

33 The Board of Directors at its meeting held on November 13, 2013 decided to discontinue its broking business carried on through its subsidiaries viz. Capital First Securities Limited (CFSL) & Capital First Commodities Limited (CFCL) (subsidiary of CFSL). CFSL has been engaged in broking of equities, equity derivatives & currency derivatives.
The carrying amount of Assets and Liabilities as at December 31, 2013 and Income and Expenditure for the quarter/ nine months ended December 31, 2013, pertaining to discontinued operations are :

| PARTICULARS | QTR | YTD | QTR | YTD | YEAR ENDED |
|---|---|---|---|---|---|
| | 31.12.2013 | 31.12.2013 | 31.12.2012 | 31.12.2012 | 31.03.2013 |
| Total Assets | 203,550,082 | 203,550,092 | 402,757,855 | 402,757,855 | 845,985,933 |
| Total Liabilities | 24,268,744 | 24,268,744 | 40,591,836 | 40,591,836 | 133,805,024 |
| Income | 7,836,873 | 71,822,429 | 24,241,058 | 77,725,958 | - |
| Expenditure | 27,913,391 | 117,097,778 | 44,715,280 | 130,282,839 | - |
| Loss before tax | (20,076,518) | (45,275,349) | (20,474,222) | (52,556,881) | - |
| Tax | 992,025 | 4,199,851 | 2,165,339 | 2,165,339 | - |
| Loss after tax | (21,068,543) | (49,475,200) | (22,639,561) | (54,722,220) | - |

The Cash Flows pertaining to discontinued operations as at December 31, 2013 is as follows:

| PARTICULARS | QTR | YTD | QTR | YTD | YEAR ENDED |
|---|---|---|---|---|---|
| | 31.12.2013 | 31.12.2013 | 31.12.2012 | 31.12.2012 | 31.03.2013 |
| Net cash flow from / (used in) | | | | | |
| a. Operating Activities | 107,056,941 | 112,159,384 | (160,967,469) | (63,385,997) | (455,381,682) |
| b. Investing Activities | 9,250,162 | (32,543,995) | 104,392,686 | 91,206,026 | 6,469,720 |
| c. Financing Activities | 1,708,192 | (1,437,458) | 371,396,493 | 371,170,581 | 255,619,684 |

34 Figures for previous quarter/ nine months/ year have been regrouped and/or reclassified wherever considered necessary, to conform to current quarter/ nine months classification.

As per our report of even date

For S.R. BATLIBOI & CO. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No. 102102

Place: Mumbai
Date : February 03, 2014

For and on behalf of the Board of Directors of
Capital First Limited

V. Vaidyanathan
Chairman &
Managing Director

Pankaj Sanklecha
Chief Financial Officer &
Head-Corporate Centre

Satish Gaikwad
Company Secretary

Place: Mumbai
Date : February 03, 2014

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013

Annexure 1

Transactions with Related parties for the nine months ended December 31, 2013

*Amount in Rupees*

| Relationship | Holding Company | | Subsidiaries | | Fellow Subsidiaries | | Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|
| Year | April 01, 2013 to December 31, 2013 | April 01, 2012 to December 31, 2012 | April 01, 2013 to December 31, 2013 | April 01, 2012 to December 31, 2012 | April 01, 2013 to December 31, 2013 | April 01, 2012 to December 31, 2012 | April 01, 2013 to December 31, 2013 | April 01, 2012 to December 31, 2012 |
| Purchase of goods/services | - | - | - | - | - | 1,453,078 | - | - |
| Rent/ Lease rent paid | - | 2,306,400 | - | - | - | 805,800 | - | - |
| Subvention Income Received | - | 5,244,688 | - | - | - | 2,375,920 | - | - |
| Directors Remuneration | - | - | - | - | - | - | 33,945,202 | 28,602,832 |
| | | | | | | | | |
| **Closing Balances : Receivable / (Payable)** | **As at December 31, 2013** | **As at March 31, 2013** | **As at December 31, 2013** | **As at March 31, 2013** | **As at December 31, 2013** | **As at March 31, 2013** | | |
| Inter corporate deposits taken | - | - | - | - | - | - | | |
| Inter corporate deposits granted | - | - | - | - | - | - | | |
| Advances Recoverable / (Payable ) | - | - | - | - | - | - | | |

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CAPITAL FIRST LIMITED

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013

Annexure 1A

Transactions with Related parties for the nine months ended December 31, 2013

*Amount in Rupees*

| Particulars | April 01, 2013 to December 31, 2013 | April 01, 2012 to December 31, 2012 |
|---|---|---|
| | | |
| **Purchase of Goods / Services** | | |
| Future E- Commerce Infrastructure Limited | - | 1,453,078 |
| Total | - | 1,453,078 |
| | | |
| **Rent Paid** | | |
| Pantaloon Retail (India) Limited | - | 2,306,400 |
| Future Value Retail Limited | - | 805,800 |
| Total | - | 3,112,200 |
| | | |
| **Subvention Income Received** | | |
| Pantaloon Retail (India) Limited | - | 5,244,688 |
| Future Value Retail Limited | - | 2,375,920 |
| Total | - | 7,620,608 |

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CAPITAL FIRST LIMITED

**CAPITAL FIRST LIMITED**

**Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013**

**Annexure 2**

**Transactions with Related parties for the quarter ended December 31, 2013**

*Amount in Rupees*

| Relationship | Holding Company | | Subsidiaries | | Fellow Subsidiaries | | Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|
| Year | October 01, 2013 to December 31, 2013 | October 01, 2012 to December 31, 2012 | October 01, 2013 to December 31, 2013 | October 01, 2012 to December 31, 2012 | October 01, 2013 to December 31, 2013 | October 01, 2012 to December 31, 2012 | October 01, 2013 to December 31, 2013 | October 01, 2012 to December 31, 2012 |
| Purchase of goods/services | - | - | - | - | - | - | - | - |
| Rent/ Lease rent paid | - | - | - | - | - | - | - | - |
| Subvention Income Received | - | - | - | - | - | - | - | - |
| Directors Remuneration | - | - | - | - | - | - | 9,999,999 | 7,684,385 |
| | | | | | | | | |
| **Closing Balances : Receivable / (Payable)** | **As at December 31,2013** | **As at March 31,2013** | **As at December 31,2013** | **As at March 31,2013** | **As at December 31,2013** | **As at March 31,2013** | | |
| Inter corporate deposits taken | - | - | - | - | - | - | | |
| Inter corporate deposits granted | - | - | - | - | - | - | | |
| Advances Recoverable / (Payable ) | - | - | - | - | - | - | | |

S R Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

PS

CAPITAL FIRST LIMITED

Select explanatory notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended December 31, 2013

Annexure 2A

Transactions with Related parties for the quarter ended December 31, 2013

*Amount in Rupees*

| Particulars | October 01, 2013 to December 31, 2013 | October 01, 2012 to December 31, 2012 |
|---|---|---|
| | | |
| **Purchase of Goods / Services** | | |
| Future E- Commerce Infrastructure Limited | - | - |
| **Total** | - | - |
| | | |
| **Rent Paid** | | |
| Pantaloon Retail (India) Limited | - | - |
| Future Value Retail Limited | - | - |
| **Total** | - | - |
| | | |
| **Subvention Income Received** | | |
| Pantaloon Retail (India) Limited | - | - |
| Future Value Retail Limited | - | - |
| **Total** | - | - |

S R Batliboi & Co. LLP Mumbai

CAPITAL FIRST LIMITED

## DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of the same. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

_____

**MR. PANKAJ SANKLECHA**

**CHIEF FINANCIAL OFFICER & HEAD - CORPORATE CENTRE**

_____

**MR. V. VAIDYANATHAN**

**CHAIRMAN AND MANAGING DIRECTOR**

_____

**MR. HEMANG RAJA**

**DIRECTOR**

**Date** : March 24, 2015

**Place** : Mumbai

## DECLARATION

We, the Directors of our Company certify that:

(i) our Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in this Placement Document.

Signed by:

| | |
|---|---|
| **MR. V. VAIDYANATHAN** | **MR. HEMANG RAJA** |
| **CHAIRMAN AND MANAGING DIRECTOR** | **DIRECTOR** |

I am authorized by the Capital Raising Committee, a committee of the Board of Directors of our Company, vide resolution dated March 24, 2015 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum and the Articles.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

**MR. SATISH GAIKWAD**

**HEAD - LEGAL, COMPLIANCE & COMPANY SECRETARY**

**Date** : March 24, 2015

**Place** : Mumbai

**CAPITAL FIRST LIMITED**

**Registered and Corporate Office**: 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013, Maharashtra, India
**Website**: www.capfirst.com; **CIN:** L29120MH2005PLC156795
**Compliance Officer:** Satish Gaikwad, Head - Legal, Compliance & Company Secretary
**Address:** 15th Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013, Maharashtra, India
**Telephone:** +91 22 4042 3400; **Fax:** +91 22 4042 3401
**Email:** secretarial@capfirst.com

**BOOK RUNNING LEAD MANAGERS**

**AXIS CAPITAL LIMITED**
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Mumbai - 400 025, Maharashtra, India

**JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**
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Appasaheb Marathe Marg
Prabhadevi, Mumbai - 400 025,
Maharashtra, India

**LEGAL ADVISOR TO THE BOOK RUNNING LEAD MANAGERS AS TO INDIAN LAW**

**J. SAGAR ASSOCIATES**
Vakils House, 18 Sprott Road,
Ballard Estate, Mumbai - 400 001,
Maharashtra, India

**LEGAL ADVISOR TO OUR COMPANY AS TO INDIAN LAW**

**AZB & PARTNERS**

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Maharashtra, India

AZB House, Plot No. A8,
Sector 4, Noida - 201301,
Uttar Pradesh, India

**INTERNATIONAL LEGAL ADVISOR TO THE BOOK RUNNING LEAD MANAGERS**

**DUANE, MORRIS & SELVAM LLP**

16 Collyer Quay, # 17-00
Singapore 049318

**AUDITORS TO OUR COMPANY**

**M/S. S.R. BATLIBOI & CO. LLP,**
Chartered Accountants
The Ruby, 14th Floor,
29, Senapati Bapat Marg, Dadar (West),
Mumbai - 400 028, Maharashtra, India