

January 23, 2018

To,
The Bombay Stock Exchange,
Department of Corporate Services,
BSE Limited, 1st Floor, P.J. Towers,
Dalal Street, Mumbai – 400 001

Sub.: Submission of "Statement of Audited Financial Results" for the year ended March 31, 2017

Dear Sir,

With reference to the above subject, please note that the Board of **Karvy Financial Services Limited** at their meeting held on December 22, 2017 have taken on record the audited financial statements of the Company for the financial year ended March 31, 2017.

Accordingly, as per the requirements of Clause 52(1) and Clause 52(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we hereby submit the "Statement of Audited Financial Results" for the year ended March 31, 2017.

The "Exchange" is requested to take on record of the above statement as well as the audited financial statements.

Please acknowledge the receipt.

Thanking you,

Yours' faithfully,

For **Karvy Financial Services Limited**



Yogesh Geat

M.D. & C.E.O.

DIN: 00148721

Enclosures:

1. Statement of Statement of Audited Financial Results for the year ended March 31, 2017
2. Copy of audited financial statements, along with the auditors' report.

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Karvy Financial Services Limited

Registered Office : 705, 7th Floor, Hallmark Business Plaza, Sant Dnyaneshwar Marg,
Opp. Guru Nanak Hospital, Bandra(E), Mumbai - 400051
Tel. : +91-22-3015 2700 Fax. : 91-22-3015 2777 | www.karvyfinance.com
CIN NO. U67190MH2001PLC227379

KARVY FINANCIAL SERVICES LIMITED

Registered Office: 705, 7th Floor, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Opp: Guru Nanak Hospital, Bandra (East), Mumbai - 400051
Statement of Audited Financial Results for the year ended 31 March 2017

| Particulars | Amount in rupees lakhs | | | |
|--|------------------------|---------------|---------------|---------------|
| | Six month ended | | Year ended | |
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| | Unaudited | Unaudited | Audited | Audited |
| 1. Interest earned (a)+(b)+(c)+(d) | 11,575.04 | 19,172.85 | 28,026.22 | 35,203.66 |
| (a) Interest on advances | 11,016.45 | 18,073.48 | 27,093.63 | 33,285.51 |
| (b) Income on investments | 0.73 | 0.79 | 1.55 | 6.03 |
| (c) Interest on balances with Reserve Bank of India and other inter bank funds | | | | |
| (d) Others | 557.86 | 1,098.58 | 931.05 | 1,912.12 |
| 2. Other Income | | | | |
| 3. Total Income (1+2) | 11,575.04 | 19,172.85 | 28,026.22 | 35,203.66 |
| 4. Interest expended | 9,637.71 | 11,643.31 | 21,062.62 | 23,381.49 |
| 5. Operating expenses (i)+(ii) | 3,704.46 | 5,117.24 | 7,786.69 | 9,143.17 |
| (i) Employees cost | 1,526.12 | 2,203.15 | 3,513.65 | 4,047.84 |
| (ii) Other operating expenses | 2,178.34 | 2,914.09 | 4,273.04 | 5,095.32 |
| 6. Total Expenditure (4+5) excluding provision and contingencies | 13,342.17 | 16,760.55 | 28,849.32 | 32,524.66 |
| 7. Operating Profit before provisions and contingencies (3-6) | (1,767.14) | 2,412.31 | (823.09) | 2,679.01 |
| 8. Provisions (other than tax) and contingencies | 3,095.26 | 131.34 | 3,261.63 | 870.25 |
| 9. Exceptional items | | | | |
| 10. Profit (+) Loss (-) from ordinary activities before tax (7-8-9) | (4,862.40) | 2,280.97 | (4,084.72) | 1,808.76 |
| 11. Tax expense | (1,041.36) | 808.09 | (1,117.45) | 648.67 |
| 12. Net Profit(+)/ Loss(-) from ordinary activities after tax (10-11) | (3,821.03) | 1,472.88 | (2,967.28) | 1,160.09 |
| 13. Extraordinary items (net of tax expense) | | | | |
| 14. Net Profit (+) Loss (-) for the period (12-13) | (3,821.03) | 1,472.88 | (2,967.28) | 1,160.09 |
| 15. Paid-up equity share capital (Face Value Rs. 10 Per Share) | 7,825.00 | 7,825.00 | 7,825.00 | 7,825.00 |
| 16. Reserves excluding Revaluation Reserves (as per balance sheet of previous accounting year) | | | 31,669.65 | 34,636.92 |
| 17. Analytical Ratios | | | | |
| (i) Capital Adequacy Ratio | 20.75% | 17.93% | 20.75% | 17.93% |
| (ii) Earnings Per Share (EPS) | | | | |
| - Basic EPS | *(0.49) | *1.94 | (3.79) | 1.35 |
| - Diluted EPS | *(0.49) | *1.94 | (3.79) | 1.35 |
| 18. NPA Ratios | | | | |
| a) Gross Non performing assets (NPA) | 21,693.53 | 7,023.13 | 21,693.53 | 7,023.13 |
| b) Net NPA | 17,493.28 | 6,255.95 | 17,493.28 | 6,255.95 |
| c) % of Gross NPA to Gross advances | 13.41% | 3.14% | 13.41% | 3.14% |
| d) % of Net NPA to Net advances | 11.10% | 2.81% | 11.10% | 2.81% |
| e) Return on Assets (annualised) (Net Profit/Average Loan Assets)# | -2.12% | 1.32% | -1.54% | 0.54% |

* Not annualised

#Average loan assets is average of opening and closing period loan assets outstanding

Notes:-

- The Financial results of the company for the year ended 31 March 2017 has been reviewed by the audit committee and has been approved at the meeting of the board of Directors held on 22 December 2017.
- Figures for six months ended 31 March 2017 and 31 March 2016 represent the difference between the audited figures in respect of the full financial year and published figures of half year ended 31 September 2016 and 31 September 2015 respectively.
- The statutory auditors have carried out the audit of the annual financials results as required under regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").
- The Company has executed a 'Business Transfer Agreement (BTA)' with M/s Small Business Finance Company Private Limited (formerly Mape Finserve Private Limited) on 1 August 2017, to dispose a part of retail lending division of the company as a going concern on slump sales basis, free and clear of all encumbrances for a purchase consideration towards the transfer of identified loan assets/receivables (less any provisions) together with related fixed assets, current assets and current liabilities as on the date of sale. The members' approval in this regard was obtained in the extraordinary general meeting of the Company held on 16 September 2017. The transaction has been consummated on 28 September 2017.
- As per the provisions of section 197 of Companies Act, 2013 total managerial remuneration to be paid to its Chief Executive Officer (CEO) and Managing Director, for the year shall not exceed eleven percent of the net profits without prior approval of the Central Government. The Company has paid remuneration to the Chief Executive Officer (CEO) and Managing Director amounting to Rs. 28,837,392 for the year ended 31 March 16 which exceeds the prescribed limits by Rs.14,212,458. Consequent to an application filed by the Company, the Central Government (Ministry of Corporate Affairs), in exercise of its powers conferred on it under section 197 of the Companies Act, 2013, vide its order dated 04 July 2017, gave its approval for the waiver of recovery of excess remuneration of Rs.10,747,392 paid. The company has accounted for the balance amount of Rs.3,465,066 as receivable, as prescribed by the Companies Act, 2013. The management intends to adjust the aforesaid receivable against the full and final amount payable.
- The listed debentures are secured by way of floating charge on the loan against share portfolio of the Company, ranking pari passu amongst the debenture holders along with other lenders.
- The company is primarily engaged in secured lending business. Further, the company operates in single geographical segment (domestic). Accordingly there is no reportable segment to be disclosed as required by Accounting Standard 17 'Segment Reporting'.
- Disclosures in accordance with Regulation 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 for the year ended 31 March 2017:
 - Credit Rating and change in Credit Rating (if any):
 "[ICRA] A+(SO)" by ICRA Limited for long term bank loans of the Company
 "[ICRA] A1+(SO)" by ICRA Limited for commercial papers issued by the Company
 "[ICRA] PP-MLD-A put on watch with developing implications" by ICRA Limited for secured redeemable non-convertible debentures issued by the Company
 "[ICRA]A; put on watch with developing implications" by ICRA Limited for unsecured debentures issued by the Company
 (b) Debt:Equity Ratio as at 31 March 2017: 3.69:1 [Debt:Equity ratio is (Long-term borrowings + Short-term borrowings + Current maturities of long-term debt + Book overdraft)/ Network]
 - The company has paid both interest / repayment of principal on due date during the half year ended 31 March 2017.
 - Next due date for the payment of interest/principal from 1 April 2017 to 30 September 2017: Nil
 - Asset cover available/ Debt Service Coverage Ratio/ Interest Service Coverage Ratio/Debt Redemption Reserve: As per the proviso to Regulation 52(4), the requirement for disclosing these details are not applicable to the Company being a Non-Banking Financial Company.
 - NetWorth: INR 39,494.65 Lakhs
- Previous year's/ period's figures have been regrouped/ reclassified, where necessary to confirm current period's classification.

For and on behalf of the Board of Directors

Yogesh Gant
CEO and Managing Director
DIN: 07189252

Place : Hyderabad
Date: 22.12.2017

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**Independent Auditors' Report
To the Members of Karvy Financial Services Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Karvy Financial Services Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("the Rules"). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder, to the extent applicable.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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Karvy Financial Services Limited
Independent Auditor's Report (continued)

Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As more fully discussed in Note 2.28 (d) to the financial statements, during the year, certain deficiencies were identified by the Company in the internal control environment, which, inter alia included the lack of sufficient audit trail and backup of electronic data which may be necessary for the demonstration of timing and sequencing of transactions in certain categories of loans and approvals thereof and for the timely determination of adequate provision for Non-Performing Assets ("NPAs") in respect of such category of loans.

Such weaknesses could potentially result in inaccurate assertions in the preparation of financial statements and incomplete/inaccurate provisions for NPAs. Management is in the process of taking necessary steps to address the aforesaid material weaknesses in the internal control environment. The impact, if any, of the above as at and for the financial year ended 31 March 2017 is not quantifiable.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters the impact of which is not ascertainable as described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.



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Karvy Financial Services Limited
Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements (continued)

2. As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and except for the matters described in the Basis for Qualified Opinion paragraph and clause (i) iv below, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, except for the possible effects of the matters referred to the Basis for Qualified Opinion paragraph, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- (f) On the basis of the written representations received from the Directors as on 31 March 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a Director in terms of Section 164 (2) of the Act.
- (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B", and
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2017 on its financial position in its financial statements – Refer Note. 2.25 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



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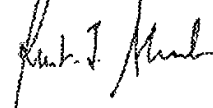
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Karvy Financial Services Limited
Independent Auditor's Report (continued).

Report on Other Legal and Regulatory Requirements (continued)

- iv. The Company has not provided certain requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Consequently we are unable to obtain sufficient and appropriate audit evidence to report whether the disclosures to the extent stated in the notes are in accordance with books of account maintained by the Company and as produced to us by the Management-Refer Note 2.45 to the financial statements.

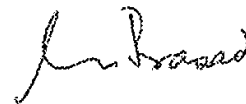
for B S R & Associates LLP
Chartered Accountants
Firm's Registration No: 116231 W/W-100024



Rohit Alexander
Partner
Membership No: 222515
Hyderabad
22 December 2017



for Lalith Prasad and Co
Chartered Accountants
Firm's Registration No: 008089S



S. Lalith Prasad
Partner
Membership No: 023665
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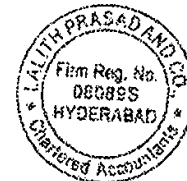
Karvy Financial Services Limited
Annexure A to the Independent Auditors' Report

The Annexure A referred to in our report of even date to the Members of Karvy Financial Services Limited ("the Company") on the financial statements for the year ended 31 March 2017, we report that:

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year except for the assets at branches which are verified in a phased manner over a period of two years. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us, the Company does not have any immovable assets classified as fixed assets at 31 March 2017. The title deeds of immovable properties held as "Assets held for sale" disclosed in Note 2.18 to the financial statements, are held in the name of the Company.
- ii. The Company is a Non-Banking Finance Company primarily engaged in asset financing. Accordingly, it does not hold any physical inventory. Accordingly, Clause 3(ii) of the Order is not applicable to the Company.
- iii. The Company has granted unsecured loans, to three companies covered in the register maintained under Section 189 of the Act.
 - a. In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the interest of the Company.
 - b. In respect of the aforesaid loans, the schedule of repayment of principal and payment of interest has been stipulated and the parties are repaying the principal amount, as stipulated, and are also regular in payment of interest as applicable.
 - c. In respect of the aforesaid loans, there is no amount which is overdue for more than 90 days.
- iv. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and securities covered under Section 185 of the Act. The Company has complied with Section 186(1) of the Act in relation to investments made by the Company. The remaining provisions related to Section 186 of the Act do not apply to the Company as it is an NBFC.
- v. The Company has not accepted any deposits from the public.

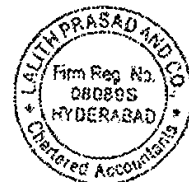


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Karvy Financial Services Limited
Annexure A to the Independent Auditors' Report (continued)

- vi. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Companies Act, 2013 for any of the services rendered by the Company. Accordingly, Clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities, though there have been a slight delay in a few cases. As explained to us, the Company did not have any dues on account of Sales-tax, Customs duty, Excise duty, Value added tax and.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Service tax, duty of Customs, duty of Excise, Value added tax which have not been deposited with the appropriate authorities on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or dues to debenture holders as at the balance sheet date. The Company did not have any dues to Government.
- ix. The Company has not raised any monies by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, monies raised by way of term loans have been applied, on an overall basis for the purposes for which they were obtained.
- x. Except for the possible effects of the matter referred to in Note 2.28 (d) to the financial statements (and set out in the Basis of Qualified Opinion paragraph of our main audit report), according to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. According to the information and explanations given to us and based on our examination of the records on the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a midli company. Accordingly, paragraph 3(xii) of the Order is not applicable.



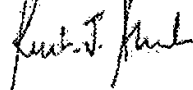
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Karvy Financial Services Limited
Annexure A to the Independent Auditors' Report (continued)

- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with its directors or persons connected with him as contemplated under the provisions under Section 192 of the Act. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated 25 October 2012.

for B S R & Associates LLP
Chartered Accountants
Firm's Registration No: 116231W/W-100024



Rohit Alexander
Partner

Membership No: 222515
Hyderabad
22 December 2017



for Lalith Prasad and Co
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Karvy Financial Services Limited
Annexure B to the Independent Auditors' Report

The Annexure B referred to in paragraph 2(h) of the Independent Auditors' Report of even date to the Members of Karvy Financial Services Limited on the financial statements for the year ended 31 March 2017.

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

We have audited the internal financial controls over financial reporting of Karvy Financial Services Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit.

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

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



A handwritten signature in black ink, appearing to be "Lalith Prasad".



B S R & Associates LLP
Chartered Accountants
Salarpuria Knowledge City
Orwell, 6th Floor, Unit 3, Sy. No. 83/1
Plot No. 2, Raidurg
Hyderabad- 500 081

Lalith Prasad and Co
Chartered Accountants
#402, Golden Green Apartments
6-3-542/1, Erra Manzil Colony
Panjagutta
Hyderabad -- 500 082

Karvy Financial Services Limited
Annexure B to the Independent Auditors' Report (continued)

Auditors' Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Adverse Opinion

According to the information and explanations given to us and based on our audit and as stated in Note 2.28 (d) to the financial statements, the following material weaknesses have been identified as at 31 March 2017.



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Panjagutta
Hyderabad - 500 082

Karvy Financial Services Limited
Annexure B to the Independent Auditors' Report (continued)

Adverse Opinion (continued)

As more fully discussed in Note 2.28 (d) to the financial statements, during the year, certain deficiencies were identified by the Company in the internal control environment, which, inter alia included the lack of sufficient audit trail and backup of electronic data which may be necessary for the demonstration of timing and sequencing of transactions in certain categories of loans and approvals thereof and for the timely determination of adequate provision for Non-Performing Assets ("NPAs") in respect of such category of loans.

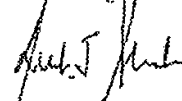
Such weaknesses could potentially result in material misstatements in respect of provisions for NPAs and other applicable assertions and disclosures in the preparation of financial statements. The management is in the process of taking necessary steps to address the aforesaid material weaknesses in the internal control environment.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were not operating effectively as of 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 March 2017 financial statements of the Company, and these material weaknesses have affected our opinion on the financial statements of the Company we have issued a qualified opinion on the financial statements.

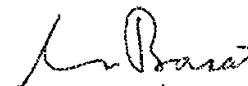
for B S R & Associates LLP
Chartered Accountants
Firm's Registration No: 116231W/W-100024



Rohit Alexander
Partner
Membership No: 222515
Hyderabad
22 December 2017



for Lalith Prasad and Co
Chartered Accountants
Firm's Registration No: 008089S



S. Lalith Prasad
Partner
Membership No: 023665
Hyderabad
22 December 2017



Karvy Financial Services Limited
 Balance sheet as at 31 March 2017
 (All amounts in Indian rupees, except share data and where otherwise stated)

| | Note | As at 31 March 2017 | As at 31 March 2016 |
|---|------|------------------------------|------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2.1 | 782,500,000 | 782,500,000 |
| Reserves and surplus | 2.2 | 3,166,964,793 | 2,462,692,412 |
| | | <u>3,949,464,793</u> | <u>3,245,192,412</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 2.3 | 9,087,812,361 | 11,378,586,523 |
| Other long-term liabilities | 2.4 | 4,487,348 | 306,866 |
| Long-term provisions | 2.5 | 466,240,847 | 133,239,163 |
| | | <u>9,558,540,756</u> | <u>11,512,132,552</u> |
| Current liabilities | | | |
| Short-term borrowings | 2.6 | 697,016,958 | 3,989,717,431 |
| Trade payables | 2.7 | | |
| - Total outstanding due to micro and small enterprises | | 28,078,400 | 51,311,710 |
| - Total outstanding due to creditors other than micro and small enterprises | | 4,906,615,883 | 5,097,350,005 |
| Other current liabilities | 2.8 | | |
| Short-term provisions | 2.9 | 18,140,460 | 24,520,843 |
| | | <u>5,692,431,701</u> | <u>9,163,892,991</u> |
| Total | | <u>19,158,457,252</u> | <u>24,921,224,949</u> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 2.10 | 60,530,040 | 72,975,088 |
| - Intangible assets | 2.11 | 26,479,350 | 25,838,570 |
| - Intangible assets under development | 2.12 | 2,596,550 | 6,073,552 |
| Non-current investments | 2.13 | 391,000,000 | 106,552 |
| Deferred tax assets | 2.30 | 156,128,571 | 56,384,123 |
| Long-term loans and advances | 2.14 | 11,975,128,466 | 16,732,630,128 |
| Other non-current assets | 2.15 | | 1,635,731 |
| | | <u>12,423,833,677</u> | <u>16,895,043,743</u> |
| Current assets | | | |
| Cash and bank balances | 2.16 | 644,419,760 | 734,472,317 |
| Short-term loans and advances | 2.17 | 5,195,866,639 | 6,188,540,280 |
| Other current assets | 2.18 | 694,537,176 | 1,103,168,003 |
| | | <u>6,534,823,575</u> | <u>8,026,180,603</u> |
| Total | | <u>19,158,457,252</u> | <u>24,921,224,949</u> |
| Significant accounting policies | 1 | | |
| Notes to the financial statements | 2 | | |


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

As per our report of even date attached

for U.S.R. & Associates LLP
 Chartered accountants
 ICAI Firm's registration no. 116231 W/ W-100024

Neel Alexander
 Partner
 Membership No. 222515

for Lalith Prasad and Co
 Chartered accountants
 ICAI Firm's registration no. 0050895

S. Lalith Prasad
 Partner
 Membership No. 023665


For and on behalf of the Board of Directors of
 Karvy Financial Services Limited
 CIN:U67190MH2001PLC227379

M. Yegannaray
 Director
 DIN:00012265

B.D. Narsing
 Director
 DIN:00038052

V. Mahesh
 Director
 DIN:00020219

Mayank Shyam Thastie
 Chief Financial Officer
 PAN: ACWPT2839A

Yegannaray
 CEO & Managing Director
 DIN:00148721

Jyothi Prasad
 Director
 DIN:00067448

G. Krishna Han
 Director
 DIN:00148721

Mehal Talwar
 Company Secretary
 M.No. A22658

Place: Hyderabad
 Date: 22 Dec 2017

Place: Hyderabad
 Date: 22 Dec 2017

Place: Hyderabad
 Date: 22 Dec 2017

Karvy Financial Services Limited
 Statement of Profit and Loss for the year ended 31 March 2017
 (All amounts in Indian rupees, except share data and where otherwise stated)

| | Note | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|------|-------------------------------------|-------------------------------------|
| Revenue | | | |
| Revenue from operations | 2.19 | 2,507,522,364 | 3,520,365,793 |
| Total revenue | | 2,507,522,364 | 3,520,365,793 |
| Expenses | | | |
| Operating expenses | 2.20 | 449,229,292 | 217,093,266 |
| Employee benefits expense | 2.21 | 351,569,146 | 404,784,695 |
| Finance costs | 2.22 | 2,106,262,749 | 2,338,148,652 |
| Depreciation and amortisation | 2.23 | 29,188,391 | 76,270,626 |
| Other expenses | 2.24 | 275,049,652 | 353,231,664 |
| Total expense | | 3,211,094,730 | 3,339,499,613 |
| (Loss)/profit before tax | | (408,472,365) | 180,875,180 |
| (Loss)/profit for the year from continuing operations before tax | 2.58 | (435,139,472) | 188,875,180 |
| Income tax expense of continuing operations | | | 95,958,950 |
| - Current tax | | | (31,321,917) |
| - Deferred tax | 2.30 | (93,241,120) | 116,008,137 |
| (Loss)/profit for the year from continuing operations after tax | | (341,869,342) | 116,008,137 |
| Profit for the year from discontinuing operations before tax | 2.58 | 26,687,107 | - |
| Income tax expense of discontinuing operations | | | - |
| - Current tax | | | - |
| - Deferred tax | 2.30 | (18,509,618) | - |
| Profit for the year from discontinuing operations after tax | | 8,177,489 | - |
| (Loss)/profit for the year | | (296,727,617) | 116,008,137 |
| Earnings per equity share (nominal value of share Rs. 10 (previous year: Rs. 10)) | 2.32 | | |
| Basic | | (3.79) | 1.35 |
| Diluted | | (3.79) | 1.35 |
| Significant accounting policies | 1 | | |
| Notes to the financial statements | 2 | | |
| The notes referred above form an integral part of the financial statements | | | |

As per our report of even date attached

for B S R & Associates LLP
 Chartered accountants
 ICAI Firm's registration no. 115231 W/W-180024

[Signature]
 Mohit Alexander
 Partner
 Membership No. 222515

for Lalith Prasad and Co
 Chartered accountants
 ICAI Firm's registration no. 0050895

[Signature]
 S. Lalith Prasad
 Partner
 Membership No. 023663


for and on behalf of the Board of Directors of
 Karvy Financial Services Limited
 CIN:U67190MH2001PLC227379

[Signature]
 M. Yoganthar
 Director
 DIN:00012283
[Signature]
 U.D. Narshing
 Director
 DIN:00016052
[Signature]
 V Mahesh
 Director
 DIN:00000119
[Signature]
 Mayank Shyam Thette
 Chief Financial Officer
 PAN: ACWPT2839A

[Signature]
 Yegannakar
 CEO & Managing Director
 DIN:00148721

[Signature]
 Jyothi Prasad
 Director
 DIN:066917483

[Signature]
 G. Krishna Murthy
 Director
 DIN:00148721
[Signature]
 Meenal Talasila
 Company Secretary
 M.No.A21638

Place: Hyderabad
 Date: 22 Dec 2017

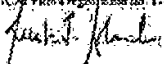
Place: Hyderabad
 Date: 22 Dec 2017

Place: Hyderabad
 Date: 22 Dec 2017

Kerry Financial Services Limited
 Cash flow statement for the year ended 31 March 2017
 (All amounts in Indian Rupees, except share data and where otherwise stated)

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Net (loss)/profit before tax | (408,477,345) | 188,875,188 |
| Adjustments: | | |
| - Depreciation and amortisation | 29,185,391 | 26,320,826 |
| - Contingent provisions against standard assets | (17,141,460) | (4,427,735) |
| - Loss on sale of assets | - | 839,312 |
| - Provision against non performing assets | 343,308,303 | 22,597,800 |
| - Loans Written Off | 26,241,234 | - |
| - Interest on bank deposits | (154,204) | (547,367) |
| - Interest on debt securities | - | (25,110) |
| - Loss on benchmark linked debentures | 183,410 | 2,794,256 |
| - Profit on sale of securities | (170,334) | - |
| Operating cash flows before working capital changes | (27,816,105) | 307,272,908 |
| Decrease / (increase) in loans and advances | 3,743,271,642 | (1,461,463,824) |
| Decrease / (increase) in other current assets | 408,810,832 | (134,143,650) |
| (Decrease) in liabilities | (461,976,297) | (80,821,295) |
| Cash generated from / (used in) operations | 5,662,359,972 | (1,774,221,463) |
| Income taxes paid | (19,136,989) | (115,383,823) |
| Net cash generated from / (used in) operations (A) | 5,643,222,982 | (1,889,604,386) |
| Cash flows from investing activities | | |
| Purchase of fixed assets (property, plant and equipment and intangible assets, intangible assets under development) | (18,689,073) | (62,665,314) |
| Proceeds from sale of fixed assets | 4,802,532 | 1,265,881 |
| Sale of investments | 275,826 | 9,070,121 |
| Purchase of investments | (391,000,000) | - |
| Proceeds from maturity of bank deposits (having original maturity of more than three months) | 980,594 | 49,738,331 |
| Interest on bank deposits | 154,504 | 347,367 |
| Interest on debt securities | - | 51,110 |
| Net cash used in investing activities (B) | (1,833,488,233) | (1,967,822) |
| Cash flows from financing activities | | |
| Proceeds from issue of equity shares | - | 502,250,000 |
| Distribution of preference dividend | - | (18,041,567) |
| Dividend distribution tax on dividend on preference shares | - | (2,265,207) |
| Proceeds from borrowings | 6,616,700,000 | 76,230,178,197 |
| Repayment of borrowings | (1,042,165,152) | (74,252,264,230) |
| Net cash (used in) / generated from financing activities (C) | (5,328,465,152) | 2,448,856,198 |
| Net (decrease) / increase in cash and cash equivalents (A + B + C) | (98,117,694) | 854,684,413 |
| Cash and cash equivalents at beginning of the year (Refer note 2.1b) | 733,592,209 | 173,015,796 |
| Cash and cash equivalents at end of the year (Refer note 2.1d) | 643,374,515 | 733,592,209 |
| Cash and cash equivalents | | |
| Cash on hand | 16,313,509 | 267,281 |
| Balance with banks | | |
| - on current accounts | 626,840,916 | 731,254,928 |
| | 643,374,515 | 733,592,209 |

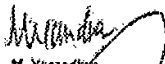
As per the report of even date attached

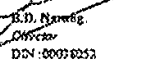
for KFS B & Associates LLP
 Chartered accountants
 ICAI Firm's registration no: 110231 W/W-100024

 Ashish Alexander
 Partner
 Membership No. 223515


for Lalith Prasad and Co
 Chartered accountants
 ICAI Firm's registration no. 0010693

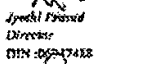


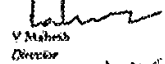
For and on behalf of the Board of Directors of
 Kerry Financial Services Limited
 CIN: U57196MH3001PLC227379

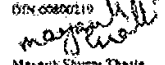

 M. Yagendra
 Director
 DIN: 00012265

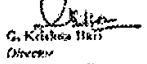

 B.D. Narasing
 Director
 DIN: 00078252

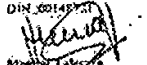

 Yogesh Gaddi
 CEO & Managing Director
 DIN: 00148721


 Jyesh Prasad
 Director
 DIN: 00017488


 V Mahesh
 Director
 DIN: 00800210


 Mayank Shyam Thakur
 Chief Financial Officer
 PAN: ACWPT2839A


 G. Krishna Murthy
 Director
 DIN: 00148721


 Murali Lakshmi
 Company Secretary
 M.No. A22653

Place: Hyderabad
 Date: 22 03 2017

Place: Hyderabad
 Date: 22 03 2017

Place: Hyderabad
 Date: 22 03 2017

Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

Company overview

Karvy Financial Services Limited (the "Company" or "KFSL") was incorporated on 18 October 2001. The Company is registered with Reserve Bank of India to carry out the business of Non Banking Financial Company not accepting or holding public deposits. The Company is primarily engaged in the business of lending against property, gold and securities.

1. Significant accounting policies

a) Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards ("AS") specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant guidelines of Reserve Bank of India ("RBI") to the extent applicable to a Non-Deposit taking Non-Banking Financial Company Systemically Important (NBFC-ND-SI), the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable and other accounting principles generally accepted in India to the extent applicable. The financial statements are presented in Indian Rupees rounded off to the nearest rupee. The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

b) Use of estimates

The preparation of financial statements in conformity with Generally accepted accounting principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

c) Current – non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- i. it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realized within twelve months after the reporting date; or
- iv. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.



Kary Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- i. it is expected to be settled in the company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is due to be settled within twelve months after the reporting date; or
- iv. the company does not have an unconditional right to defer settlement of the liability for atleast twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Based on the nature of operations and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks/financial institutions. The Company considers all highly liquid investments with a remaining maturity of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

e) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

f) Fixed assets and depreciation

Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

The cost of tangible fixed assets acquired but not ready for their intended use as at the balance sheet date are disclosed as capital work-in-progress.

The Company provides depreciation under straight line method on tangible fixed assets, other than leasehold improvements and assets costing less than Rs. 5,000, based on the useful life of specified in schedule II of the Companies Act, 2013, as in the opinion of the Management, the same reflects the estimated useful life.



Karvy Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

With respect to assets costing less than Rs 5,000 based on the internal assignment and materiality, the management has estimated that the same shall be depreciated in the year of purchase. Depreciation is calculated on pro-rata basis from the date on which the assets are ready for use or till the date the assets are sold or disposed of

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as capital advances under long-term loans and advances.

Intangible assets

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets under development are capitalized only if the company is able to establish control over such assets and expects future economic benefit will flow to the company. Intangible assets are amortized in the Statement of Profit and Loss over their estimated useful lives from the date they are available for use based on the expected pattern of economic benefits of the asset.

Product process handling software primarily comprises of software used in the business of lending against property, gold and securities and are amortised over their estimated useful life of 5 years.

Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that any assets forming part of its cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the reassessed recoverable amount subject to a maximum of depreciated historical cost.

g) Revenue recognition

- i. Interest income on loan portfolio is recognised in the statement of profit and loss on accrual basis taking into account the amount outstanding and the rate applicable except in the case of non-performing assets ("NPA's") where it is recognised, upon realization, as per RBI guidelines.
- ii. Fee income including loan processing fee and other fee are accounted for upfront as and when it become due as per the terms of contract entered into with the customer.
- iii. Interest on deposits and debt securities are accrued on the time proportion basis, taking into account the amount outstanding and interest rate applicable.
- iv. Income from Securitisation/ Direct Assignments- The Company enters into arrangements for sale of loan receivables through direct assignment/ Securitisation. The said assets are de-recognised upon transfer of significant risks and rewards to the purchaser and meeting the true sale criteria.



Karvy Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

- v. The sale of non-performing assets is accounted for as per the guidelines prescribed by RBI. On sale, the assets are derecognised from the books. If the sale proceeds are lower than the net book value ('NBV') (i.e., book value less provisions held), the shortfall is charged to the statement of profit and loss in the year of sale. In case of sale other than in cash, if the sale proceeds are higher than the NBV, the excess provision is written back in the year the amounts are received, as required by the RBI.
- vi. Income on security receipts ('SRs') are recognised only after the full redemption of the entire principal amount of SRs

h) Assets classification and provisioning policy for Loan Portfolio

The Company has adopted Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended and prescribed by Reserve Bank of India from time to time for its assets classification and provisioning policy. Non-performing assets are written off / provided for, as per management estimates, subject to the minimum provision required as per said regulation.

During the year, pursuant to RBI Regulations, the Company has revised its classification norms of Non-performing Assets (NPA) from 150 days to 120 days and has increased provision on standard assets from 0.30% to 0.35%.

i) Foreign Currency Transactions

Foreign currency transactions are accounted for at the rates prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denoted in foreign currencies as at the Balance Sheet date are translated at the closing exchange rates. Resultant exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency at the Balance Sheet date are reported using exchange rates at the date of the transaction

j) Investments

Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost or fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., Equity shares, preference shares, debt securities etc.

Long term investments are carried at cost less any other temporary diminution in value, determined separately for each individual investment.

Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.



Karvy Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

Investment in security receipts (SRs) is recognized at lower of: (i) net book value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) estimated redemption value of SRs at the end of each reporting period, as prescribed by RBI. Accordingly, in cases where the SRs issued by the Securitisation Company / Asset Reconstruction Company (SC/ARC) are limited to the actual realisation of the underlying financial assets, the net asset value, obtained from the SC/ARC, is reckoned for valuation of such investments.

k) Employee benefits

Defined contribution plans

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefits plan

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by the Canara HSBC Oriental Bank of Commerce Life Insurance Co Limited (Group Gratuity scheme) and the contributions made by the company to the scheme are recognised in Statement of Profit and Loss. The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets. The calculation of the Company's obligation under the plan is performed annually by qualified independent actuary using the projected unit credit method.

Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss.

Compensated absences

Compensated absences, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method as at the Balance Sheet date, carried out by an independent actuary. Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss.

l) Borrowing costs

Borrowing cost includes interest and other cost including, amortization of ancillary borrowing costs. Interest on borrowings is expensed in the period to which they relate. Ancillary costs incurred in connection with the terms of borrowing are amortised over the tenure of the borrowing on straight line basis.



Karvy Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued).

(All amounts in Indian rupees, except share data and where otherwise stated)

m) Benchmark linked debentures

The Company has issued certain secured redeemable non-convertible debentures, the return of which is linked to performance of specified indices/ commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant net unrealised loss or gain on the fair valuation of these embedded derivatives is recognised in the Statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

n) Operating leases

Lease payments for assets taken on operating lease are charged in the Statement of profit and loss on a straight-line basis over the lease term.

o) Earnings per share

Basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

p) Income tax

Income tax expense comprises current tax and deferred tax.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and is written-down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

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 deferred tax assets and deferred taxes relate to same taxable entity and same taxation authority.



Karvy Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

q) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liability do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.



Kavya Financial Services Limited

Notes to financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

| | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| 2.1 Share capital | | |
| Authorised | | |
| 105,000,000 (Previous year: 105,000,000) Equity shares of Rs.10 each | 1,050,000,000 | 1,050,000,000 |
| 100,000,000 (Previous year: 100,000,000) 11% p.a. Compulsorily convertible cumulative preference shares (CCCPs) of Rs.10 each | 1,000,000,000 | 1,000,000,000 |
| | <u>2,050,000,000</u> | <u>2,050,000,000</u> |
| Issued, subscribed and paid-up: | | |
| 78,250,000 (Previous year: 78,250,000) Equity shares of Rs. 10 each, fully paid-up. | 782,500,000 | 782,500,000 |
| Nil (previous year: Nil) 11% p.a. Compulsorily convertible cumulative preference shares of Rs 10 each, fully paid-up | | |
| | <u>782,500,000</u> | <u>782,500,000</u> |



Karvy Financial Services Limited
Notes to financial statements for the year ended 31 March 2017
(All amounts in Indian Rupees, except share face value and where otherwise specified)

| | As at 31 March 2017 | | As at 31 March 2016 | |
|--|------------------------|-------------|------------------------|-------------|
| 21. Share capital (continued) | | | | |
| a. Reconciliation of shares outstanding at the beginning and at the end of the reporting year: | | | | |
| Particulars | Number of shares | Amount | Number of shares | Amount |
| Equity shares | | | | |
| At the commencement of the year | 78,250,000 | 782,500,000 | 81,500,000 | 610,000,000 |
| Issued during the year | - | - | 17,250,000 | 172,500,000 |
| Shares bought back during the year | - | - | - | - |
| At the end of the year | 78,250,000 | 782,500,000 | 98,750,000 | 782,500,000 |
| CCCPs | | | | |
| At the commencement of the year | - | - | 50,000,000 | 500,000,000 |
| Converted during the year | - | - | 50,000,000 | 500,000,000 |
| At the end of the year | - | - | - | - |

4. The rights, preferences and restrictions attached to equity shares.

The Company has single class equity shares having a par value of Rs. 10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend in preference to shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held. Upon show of hands, every Member present in person and holding any equity share capital therein, shall have one vote, in respect of each capital, on every resolution placed before the Company.

The rights, preferences and restrictions attached to CCCPS

50,000,000 11% P.A. CCCPS of Rs. 10 each were issued in part to Karvy Holdings Limited (a subsidiary of Karvy Stock Broking Limited, the holding Company) and Karvy Realty (India) Limited. These preference shares were convertible into equity shares of Rs.10 each in the ratio of 3:1 at quarterly intervals starting from 31 May 2016 and ending on 31 August 2018. Preference share holders carried a preferential right as to dividend over equity shareholders. Where dividend on Convertible Preference Shares is not declared for a financial year, the entitlement thereto is carried forward. In the event of liquidation, preference share holders have preferential right over equity share holders to be repaid to the extent of Capital paid up and dividend in arrears of such shares.

In the previous year, the Company has converted 50,000,000 CCCPS into 10,000,000 equity shares in the ratio of 1 equity share for 5 preference share at a premium of Rs. 40 per equity share as per the agreement with preference shareholders.

c. Shares held by Holding Company and its subsidiaries

| | As at 31 March 2017 | | As at 31 March 2016 | |
|---|---------------------|-------------|---------------------|-------------|
| | Number of shares | Amount | Number of shares | Amount |
| Equity Shares of Rs. 10 each fully paid up held by | | | | |
| Karvy Stock Broking Limited - Holding Company | 31,000,000 | 310,000,000 | 29,000,000 | 290,000,000 |
| Karvy Comtrade Limited (subsidiary of Karvy Stock Broking Limited) | - | - | 11,000,000 | 110,000,000 |
| Karvy Holdings Limited (subsidiary of Karvy Stock Broking Limited) | 18,000,000 | 180,000,000 | 18,000,000 | 180,000,000 |
| Karvy Realty (India) Limited (subsidiary of Karvy Stock Broking Limited) | 20,250,000 | 202,500,000 | 20,250,000 | 202,500,000 |
| Karvy Forex and Commercials Private Limited (subsidiary of Karvy Stock Broking Limited) | 9,000,000 | 90,000,000 | - | - |
| | 78,250,000 | 782,500,000 | 78,250,000 | 782,500,000 |

Particulars of shareholder holding more than 5% of equity shares of Rs. 10 each, fully paid-up is set below:

| Name of the shareholder | Number of shares | % of Holding | Number of shares | % of Holding |
|---|------------------|--------------|------------------|--------------|
| Karvy Stock Broking Limited | 31,000,000 | 39.62% | 29,000,000 | 37.06% |
| Karvy Comtrade Limited | - | 0.02% | 11,000,000 | 14.06% |
| Karvy Holdings Limited | 18,000,000 | 23.00% | 18,000,000 | 23.00% |
| Karvy Realty (India) Limited | 20,250,000 | 25.88% | 20,250,000 | 25.88% |
| Karvy Forex and Commercials Private Limited | 9,000,000 | 11.52% | - | - |
| | 78,250,000 | 100.00% | 78,250,000 | 100.00% |

6. During the current financial year, Karvy Comtrade Limited has transferred 2,000,000 shares of Rs. 10 each amounting to Rs. 20,000,000 in Holding Company and 9,000,000 shares of Rs. 10 each amounting to Rs. 90,000,000 to Karvy Forex and Commercials Private Limited.

7. During the five financial years ended 31 March 2017, no shares have been bought back and no shares have been issued for consideration other than cash.



Kavya Financial Services Limited

Notes to financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

| | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| 2.2 Reserves and surplus | | |
| Securities premium account | | |
| At the commencement of the year | 2,813,750,000 | 1,986,000,000 |
| Add: premium received | - | 827,750,000 |
| | <u>2,813,750,000</u> | <u>2,813,750,000</u> |
| Statutory reserve (created under Section 45-1C of RBI Act, 1934) | | |
| At the commencement of the year | 318,589,191 | 295,387,564 |
| Add: amount transferred @ 20% | - | 23,201,627 |
| | <u>318,589,191</u> | <u>318,589,191</u> |
| General reserve | | |
| At the commencement of the year | 102,222,103 | 102,222,103 |
| Add: amount transferred from Surplus | - | - |
| | <u>102,222,103</u> | <u>102,222,103</u> |
| Surplus (Profit and loss balance) | | |
| At the commencement of the year | 229,131,118 | 155,631,982 |
| Add: profit for the year | (296,727,617) | 116,008,137 |
| Less: Appropriations | | |
| Transfer to statutory reserve @ 20% | - | 23,201,627 |
| Proposed dividend on CCCPS | - | 16,041,667 |
| Tax on proposed dividend on CCCPS as above | - | 3,265,707 |
| | <u>(67,596,499)</u> | <u>229,131,118</u> |
| | <u>3,166,964,795</u> | <u>3,463,692,412</u> |



Kurvy Financial Services Limited
 Notes to financial statements for the year ended 31 March 2017
 (All amounts in Indian rupees except share data and where otherwise stated)

| | As at 31 March 2017 | As at 31 March 2016 |
|--|------------------------|------------------------|
| 2.3 Long-term borrowings | | |
| Secured redeemable non-convertible debentures (Refer note 2.35) | 29,000,000 | 29,000,000 |
| Term loans | | |
| Secured | | |
| from banks (Refer note 2.36) | 8,206,912,561 | 10,636,565,558 |
| from others (Refer note 2.36) | 325,000,000 | 255,000,000 |
| Unsecured | | |
| from other party (Refer note 2.39) | 226,990,000 | 138,020,965 |
| Unsecured redeemable non-convertible debentures (Refer note 2.35) | 300,000,000 | 300,000,000 |
| | <u>9,087,612,561</u> | <u>11,378,586,523</u> |
| 2.4 Other long-term liabilities | | |
| Interest accrued but not due on borrowings | 4,487,348 | 106,860 |
| | <u>4,487,348</u> | <u>306,860</u> |
| 2.5 Long-term provisions | | |
| Provision for employee benefits | | |
| - Gratuity (Refer note 2.42) | 7,762,786 | 6,635,414 |
| - Compensated absences | 4,589,288 | 4,172,232 |
| Other provisions | | |
| - Contingent provisions against standard assets (Refer note 2.28) | 33,863,619 | 45,712,866 |
| - Provision for non performing assets (Refer footnote below and note 2.28) | 420,025,154 | 76,718,651 |
| | <u>466,240,847</u> | <u>133,239,163</u> |

Pursuant to a review of loan accounts, based on qualitative factors, the management has identified certain loan accounts that have been demonstrating signs of stress as NPA, although their overdues are within the quantitative thresholds for NPA identification as per the RBI guidelines. The Company has made appropriate provisions in respect of such assets. The provisions for NPA also include an amount of Rs. 41,280,091 pertaining to previous period in respect of NPA accounts that were sold in earlier periods under bilateral arrangements. Also, refer note 2.28 (d)



Karvy Financial Services Limited
 Notes to financial statements for the year ended 31 March 2017
 (All amounts in Indian rupees, except share data and where otherwise stated)

| | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| 2.6 Short-term borrowings | | |
| Loans repayable on demand | | |
| Secured | | |
| Cash credit from banks (Refer note 2.37) | 405,666,958 | 1,629,821,364 |
| Working capital demand loan from banks (Refer note 2.37) | - | 600,000,000 |
| | <u>405,666,958</u> | <u>2,229,821,364</u> |
| Unsecured | | |
| From banks | | |
| - Commercial papers (Refer note 2.34) | 250,000,000 | 100,000,000 |
| From others | | |
| - Working capital demand loan (Refer note 2.39) | 41,350,000 | 299,896,067 |
| - Commercial papers (Refer note 2.34) | - | 1,260,000,000 |
| Inter corporate deposit | | |
| - From others (Refer note 2.40) | - | 100,000,000 |
| | <u>291,350,000</u> | <u>1,759,896,067</u> |
| | <u>697,016,958</u> | <u>3,989,717,431</u> |
| 2.7 Trade payables | | |
| Trade payables | | |
| - due to micro and small enterprises (Refer note 2.41) | | |
| - Others | 28,078,400 | 51,311,710 |
| | <u>28,078,400</u> | <u>51,311,710</u> |
| 2.8 Other current liabilities | | |
| Current maturity of long term debts from banks - secured (Refer note 2.36) | 4,690,085,694 | 4,062,887,976 |
| Current maturity of long term debts from banks - unsecured (Refer note 2.38) | - | 250,000,000 |
| Current maturity of long term debts from others - secured (Refer note 2.36) | 100,000,000 | 45,000,000 |
| Current maturity of secured redeemable non-convertible debentures (Refer note 2.35) | - | 179,000,000 |
| Bank overdraft | 3,793,935 | 426,184,958 |
| Interest accrued but not due on borrowings | 53,194,175 | 42,936,337 |
| Other payables | | |
| - Salaries and other liabilities | 4,413,516 | 3,971,122 |
| - Leave travel allowance payable | 1,010,677 | 2,730,252 |
| - Accrued expenses | 62,978,822 | 76,589,460 |
| - Statutory liabilities | 9,139,064 | 8,049,900 |
| | <u>4,906,616,883</u> | <u>5,097,350,005</u> |
| 2.9 Short-term provisions | | |
| Provision for employee benefits | | |
| - Gratuity (Refer note 2.42) | 258,902 | 217,743 |
| - Compensated absences | 3,289,265 | 3,825,694 |
| Other provisions | | |
| - Contingent provisions against standard assets (Refer note 2.28) | 15,185,193 | 20,477,406 |
| | <u>18,740,460</u> | <u>24,520,845</u> |



Katy Financial Services Limited
 Notes to financial statements for the year ended 31 March 2017
 All amounts in Indian rupees, except share data and where otherwise stated.

2.10 Property, plant and equipment

| Description | Original cost | | | Depreciation | | | Net book value |
|-----------------------------|--------------------|-----------|-----------|---------------------|--------------|---------------------|----------------|
| | As at 1 April 2016 | Additions | Deletions | As at 31 March 2017 | For the year | As at 31 March 2017 | |
| Computer and related assets | 31,131,451 | 2,191,338 | - | 34,324,789 | 5,113,605 | 27,509,336 | 5,74,959 |
| Furniture and fixtures | 53,992,036 | 4,547,171 | 136,268 | 58,262,939 | 5,929,065 | 19,181,716 | 39,68,31 |
| Motor vehicles | 10,855,922 | 54,700 | 5,495,357 | 5,414,865 | 875,255 | 1,408,192 | 4,24,67 |
| Office equipment | 27,739,195 | 2,191,941 | 1,60,240 | 29,769,896 | 3,743,698 | 19,112,713 | 10,24,15 |
| Total | 133,627,107 | 9,087,156 | 5,841,765 | 127,772,492 | 17,659,645 | 67,272,482 | 20,50,040 |

As at 31 March 2016

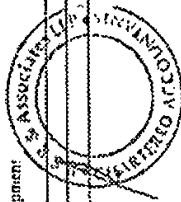
| Description | Original cost | | | Depreciation | | | Net book value |
|-----------------------------|--------------------|------------|-----------|---------------------|--------------|---------------------|----------------|
| | As at 1 April 2015 | Additions | Deletions | As at 31 March 2016 | For the year | As at 31 March 2016 | |
| Computer and related assets | 24,079,134 | 7,052,117 | - | 31,131,451 | 5,611,791 | 22,396,724 | 3,01,725 |
| Furniture and fixtures | 41,465,271 | 12,436,765 | - | 53,902,036 | 5,176,075 | 13,133,487 | 30,87,130 |
| Motor vehicles | 10,274,248 | 3,135,304 | 2,554,330 | 10,855,922 | 1,366,176 | 1,434,112 | 9,31,11 |
| Office equipment | 24,240,838 | 3,291,532 | 94,192 | 27,739,195 | 5,290,211 | 13,617,845 | 14,11,21 |
| Total | 100,059,713 | 26,215,518 | 2,648,522 | 123,627,107 | 17,394,253 | 50,557,012 | 12,03,835 |

2.11 Intangible assets

| Description | Original cost | | | Amortisation | | | Net book value |
|-----------------------------------|--------------------|------------|-----------|---------------------|--------------|---------------------|----------------|
| | As at 1 April 2016 | Additions | Deletions | As at 31 March 2017 | For the year | As at 31 March 2017 | |
| Product process handling software | 112,242,192 | 12,169,976 | - | 124,412,168 | 11,538,746 | 97,937,368 | 26,27,824 |
| Total | 112,242,192 | 12,169,976 | - | 124,412,168 | 11,538,746 | 97,937,368 | 26,27,824 |
| As at 31 March 2017 | 99,863,608 | 12,578,584 | - | 112,442,192 | 8,926,375 | 86,403,622 | 25,85,540 |

2.12 Intangible assets under development

| Description | As at 1 April 2016 | Additions | Capitalised during the year | As at 31 March 2017 |
|----------------------|--------------------|-----------|-----------------------------|---------------------|
| Software development | 6,071,552 | - | 3,477,032 | 2,596,500 |
| Total | 6,071,552 | - | 3,477,032 | 2,596,500 |
| As at 31 March 2017 | 1,979,552 | 4,231,354 | 157,354 | 6,071,552 |



| | As at 31 March 2017 | As at 31 March 2016 |
|--|------------------------|------------------------|
| 2.13 Non-current investments | | |
| <i>(Valued at cost unless stated otherwise)</i> | | |
| Non-Trade Investments (Quoted) | | |
| Investment in equity instruments | | |
| Nil (Previous year: 96) Equity shares of Muthoot Finance Limited of Rs 10 each fully paid up | - | 16,800 |
| Nil (Previous year: 1,726) Equity shares of L&T Finance Holdings Limited of Rs 10 each fully paid up | - | 89,752 |
| Total (A) | - | 106,552 |
| Investments in Security Receipts (Refer Note 2.52) | 391,000,000 | - |
| Total (B) | 391,000,000 | - |
| Total (A) + (B) | 391,000,000 | 106,552 |
| Quoted non-current investments | | |
| Aggregate book value | - | 106,552 |
| Aggregate market value | - | 127,365 |
| Particulars | | |
| 1) Value of Investments | | |
| (i) Gross Value of Investments | | |
| (a) In India | 391,000,000 | 106,552 |
| (b) Outside India | - | - |
| (ii) Provisions for Depreciation | | |
| (a) In India | - | - |
| (b) Outside India | - | - |
| (iii) Net Value of Investments | | |
| (a) In India | 391,000,000 | 106,552 |
| (b) Outside India | - | - |
| 2) Movement of provisions held towards depreciation on investments | | |
| (i) Opening balance | - | - |
| (ii) Add: Provisions made during the year | - | - |
| (iii) Less: Write-off / write-back of excess provisions during the year | - | - |
| (iv) Closing balance | - | - |
| 2.14 Long-term loans and advances | | |
| <i>(Secured, considered good)</i> | | |
| - Loan portfolio | 9,674,430,844 | 15,876,494,837 |
| <i>(Secured, considered doubtful)</i> | | |
| - Loan portfolio * | 2,165,761,536 | 698,889,169 |
| <i>(Unsecured, considered good)</i> | | |
| - Loan portfolio | 889,719 | 4,612,856 |
| <i>(Unsecured, considered doubtful)</i> | | |
| - Loan portfolio * | 3,591,736 | 3,424,600 |
| Capital advances | 280,805 | 20,119,804 |
| Security deposits | 45,846,787 | 44,670,752 |
| Advance income tax (net of provision for tax) | 39,027,084 | 19,890,164 |
| Other loans and advances | | |
| - Prepaid expenses | 45,300,793 | 64,458,906 |
| | 11,975,128,466 | 16,732,630,128 |

* Doubtful asset represents non-performing assets as per RBI guidelines [Refer note 2.28 (b)]
 # Refer note 2.28 (h)

2.15 Other non-current assets
(Unsecured considered good, unless otherwise stated)
 Bank deposits (due to mature after 12 months from the reporting date)

| |
|------------------|
| 1,035,731 |
| 1,035,731 |



Karvy Financial Services Limited
 Notes to financial statements for the year ended 31 March 2017
 (All amounts in Indian rupees, except share data and where otherwise stated)

| | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| 2.16 Cash and bank balances | | |
| Cash and cash equivalents | | |
| Cash on hand | 16,533,599 | 267,281 |
| Balance with banks | | |
| - on current accounts | 626,840,916 | 733,234,928 |
| Other bank balances | | |
| - Bank deposits with less than 12 months maturity * | 1,045,245 | 970,108 |
| | 644,419,760 | 734,472,317 |

* Includes of Rs 525,000 (Previous Year: Rs 500,000) lien marked with various Government authorities

Details of bank balances

| | | |
|---|--------------------|--------------------|
| Current account balances with bank | 626,840,916 | 733,234,928 |
| Bank deposits due to mature within 12 months of the reporting date included under 'other bank balances' | 1,045,245 | 970,108 |
| Bank deposits due to mature after 12 months of the reporting date | - | 1,035,731 |
| | 627,886,161 | 735,240,767 |

2.17 Short-term loan and advances

Loans and advances to related parties

| | | |
|--|-----------|-------------|
| <i>(Unsecured, considered good)</i> | | |
| Other advances (Refer note. 2.33) | 2,950,977 | 464,444 |
| Inter corporate deposits (Refer Note 2.33) | - | 350,000,000 |

To parties other than related parties

| | | |
|-------------------------------------|----------------------|----------------------|
| <i>(Secured, considered good)</i> | | |
| - Loan portfolio# | 4,337,560,391 | 5,749,370,181 |
| <i>(Unsecured, considered good)</i> | | |
| Loan portfolio# | 494,577 | 2,087,153 |
| Inter corporate deposits | 763,500,000 | - |
| Other advances | 17,565,505 | 9,638,031 |
| Service tax receivable | 34,167,537 | 28,307,155 |
| Prepaid expenses | 37,762,442 | 46,432,103 |
| Staff advance | 1,666,110 | 2,241,815 |
| | 5,195,666,639 | 6,188,540,880 |

Refer note 2.28(b)

2.18 Other current assets

| | | |
|---|--------------------|----------------------|
| <i>(Secured, considered good)</i> | | |
| Assets held for sale* | 295,542,925 | - |
| <i>(Unsecured considered good, unless otherwise stated)</i> | | |
| Unamortised interest cost on commercial papers | 3,857,811 | 22,866,659 |
| Interest accrued | | |
| - on loan portfolio | 394,483,852 | 1,079,629,290 |
| - on debt securities | 652,588 | 672,059 |
| | 694,537,176 | 1,103,168,008 |

* Company has taken legal ownership of properties in lieu of repayment from customers and intends to liquidate the same for realisation of dues



Karvy Financial Services Limited
 Notes to financial statements for the year ended 31 March 2017
 (All amounts in Indian rupees, except share data and where otherwise stated)

| | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| 2.19 Revenue from operations | | |
| Interest income | | |
| - on loan portfolio | 2,652,952,023 | 3,319,064,106 |
| - on investments | - | 55,110 |
| - on fixed deposits with banks | 154,504 | 547,367 |
| - on inter corporate deposit | 56,411,171 | 9,486,985 |
| Fee and other operating income | 91,964,773 | 189,313,415 |
| Other operating income | | |
| - Profit on sale of long term investments | 170,334 | - |
| - Interest on income tax refund | 969,560 | 2,898,810 |
| | 2,802,627,365 | 3,526,365,793 |
| 2.20 Operating expenses | | |
| Direct selling agent commission | 58,511,555 | 38,288,787 |
| Business facilitation charges | - | 31,054,698 |
| Postage and communication | 11,771,434 | 14,567,796 |
| Business promotion expenses/lead generation | 19,601,831 | 33,895,069 |
| Contingent provisions against standard assets [Refer note 2.28(c)] | (17,143,460) | 14,427,735 |
| Provision against non performing assets [Refer note 2.28(c)] | 343,506,503 | 72,597,606 |
| Loans written off | 26,241,254 | - |
| Printing and stationery | 6,939,725 | 12,173,575 |
| | 449,329,392 | 217,695,366 |
| 2.21 Employee benefits expense | | |
| Salaries, wages and bonus | 324,348,092 | 381,378,328 |
| Contribution to provident fund and other fund [Refer Note 2.42] | 21,915,286 | 17,897,416 |
| Staff welfare expenses | 5,101,768 | 5,508,661 |
| | 351,365,146 | 404,784,405 |
| 2.22 Finance costs | | |
| Interest expenses | 2,032,340,450 | 2,231,496,408 |
| Interest expense on non-convertible debentures | 6,560,125 | 31,639,298 |
| Other borrowing cost | 67,361,674 | 75,012,946 |
| | 2,106,262,249 | 2,338,148,652 |
| 2.23 Depreciation and amortisation | | |
| Depreciation of tangible fixed assets [Refer note 2.10] | 17,659,645 | 17,394,253 |
| Amortisation of intangible fixed assets [Refer note 2.11] | 11,528,746 | 8,926,373 |
| | 29,188,391 | 26,320,626 |
| 2.24 Other expenses | | |
| Rent [Refer note 2.29] | 61,121,106 | 54,118,756 |
| Legal and professional charges | 79,981,473 | 139,606,328 |
| Loss on benchmark linked debentures | 188,410 | 1,794,926 |
| Auditor remuneration [Refer note 2.26] | 4,768,523 | 4,776,231 |
| Office maintenance | 19,546,658 | 34,766,803 |
| Rates and taxes | 27,508,594 | 34,794,624 |
| Repairs and maintenance-others | 17,866,362 | 17,204,572 |
| Travelling and conveyance | 23,011,182 | 25,343,599 |
| Electricity charges | 10,583,809 | 10,278,706 |
| Business Support service | - | 10,500,000 |
| Insurance | 4,837,256 | 1,241,800 |
| Corporate social responsibility [Refer note 2.47] | 2,500,000 | 7,365,426 |
| Miscellaneous expenses | 1,540,599 | 9,104,002 |
| | 275,849,675 | 353,231,664 |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.25 Capital commitments and contingent liabilities
(to the extent not provided for)

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| Capital commitment: Estimated amount of contracts remaining to be executed on capital account and not provided for [net of capital advances of Rs. Nil (previous year: Nil)] | | 154,300 |
| Contingent liabilities (refer note below) The Company is in receipt of an order dated 27 October 2016 from SEBI under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 32 of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 2011 [Regulations], contending that the Company has not complied with certain provisions of the aforesaid regulations. The Company has filed an appeal before the Securities Appellate Tribunal against the said order. Pending resolution of the matter, the Company has disclosed an amount of Rs. 12,922,084 as a contingent liability. | 12,922,084 | |

Note: The amount included above represents the best possible estimates arrived at on the basis of available information. The Management believes that it has a reasonable case in its defense of the proceedings and accordingly, no further provision has been created.

The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision (if any) required under any law/accounting standard/RBI regulation for material foreseeable losses on such long term contracts has been made in the books of account.

2.26 Auditors' remuneration (excluding service tax):

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|------------------------|-------------------------------------|-------------------------------------|
| Audit Fee | 3,700,000 | 3,800,000 |
| Other Services | 8,34,200 | 8,00,000 |
| Out of pocket expenses | 234,523 | 176,231 |
| Total | 4,768,523 | 4,776,231 |

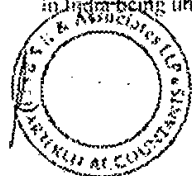
2.27 Segmental reporting

a) Business segment:

The company is engaged in secured lending business. Accordingly there is no reportable segment to be disclosed as required by Accounting Standard 17 'Segment Reporting'.

b) Geographical segment:

During the year, the Company has engaged in its business within India. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.28 Interest income on portfolio, Standard asset provision and non-performing asset provision

a) Interest income on loan portfolio is net of Rs 373,386,316 (previous year Rs: 331,468,606) pertaining to reversal of unrealised interest income on assets recognized as sub-standard during the year ended 31 March 2017.

b) Provisions as at

| Asset classification | 31 March 2017 | | 31 March 2016 | |
|----------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Loan portfolio | Provision | Loan portfolio | Provision |
| Standard asset | 140,133,74,731 | 490,46,812 | 21,632,635,027 | 66,190,272 |
| Sub standard asset | 21,693,53,274 | 420,025,154 | 702,513,169 | 76,718,651 |
| Total | 161,827,28,005 | 4690,71,966 | 22,334,948,196 | 142,908,923 |

| Provisions | 31 March 2017 | 31 March 2016 |
|-------------------------------------|--------------------|-------------------|
| Standard asset provision | | |
| (a) Short Term Provision | 15,183,193 | 20,477,406 |
| (b) Long Term Provision | 33,863,619 | 45,712,866 |
| Total | 49,046,812 | 66,190,272 |
| Sub-standard asset Provision | | |
| (a) Long Term Provision | 420,025,154 | 76,718,651 |
| Total | 420,025,154 | 76,718,651 |

c) Movement in provision during the year is given below:

| Particulars | Standard asset provision | Sub standard asset provision | Total |
|-----------------------------|--------------------------|------------------------------|-------------|
| Balance as at 1 April 2016 | 66,190,272 | 76,718,651 | 142,908,923 |
| Additions during the year | (17,143,460) | 343,306,503 | 326,163,043 |
| Balance as at 31 March 2017 | 49,046,812 | 420,025,154 | 469,071,966 |

d) During the year, certain deficiencies were identified by the Company in the internal control environment, which, inter alia included the lack of sufficient audit trail and backup of electronic data which may be necessary for the demonstration of timing and sequencing of transactions in certain categories of loans and approvals thereof and timely determination of adequate provision for NPAs in such category of loans.

In response to the above, management has carried out a review of loan accounts outstanding as at March 31, 2017. On the basis of such review, management believes that whilst the above weaknesses in control are not expected to have a material impact on these financial statements, that, there is lack of sufficient audit trail, back up of electronic data etc. in demonstration of the impact thereof. Management is in the process of taking necessary steps to address the aforesaid material weaknesses in the internal control environment. Also, refer foot note to Note 2.5



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.29 Operating Leases

The Company has both cancellable and non-cancellable operating leases. Lease payments relating to non cancellable operating leases amounting to Rs. 34,291,389 (previous year Rs. 23,259,142) and cancellable operating lease amounting to Rs. 26,829,717 (previous year Rs. 30,855,614) has been charged to the Statement of profit and loss.

The total future minimum lease payments under non-cancellable leases are as follows:

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Due within one year | 31,657,038 | 15,739,113 |
| Due between one to five years | 20,113,928 | 31,528,308 |
| Total | 51,770,966 | 47,267,421 |

2.30 Deferred taxation

The deferred tax asset as at the year-end comprises of:

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|--|------------------------|------------------------|
| Deferred tax assets | | |
| - Employee benefits | 5,505,905 | 5,135,501 |
| - Provision for outstanding loan portfolio | 162,336,426 | 49,417,905 |
| - Excess of depreciation provided in accounts over depreciation allowable under Income Tax Act | 286,540 | 1,830,717 |
| Total | 168,128,871 | 56,384,123 |
| Deferred tax liability | - | - |
| Total | - | - |
| Deferred tax asset | 168,128,871 | 56,384,123 |

2.31 Expenditure and income in foreign currency (on accrual basis)

a. Expenditure in foreign currency

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|-------------------|-------------------------------------|-------------------------------------|
| Professional fees | 976,782 | 1,026,070 |
| Total | 976,782 | 1,026,070 |

b. Income in foreign currency

The company does not have earnings in foreign currency in current financial year and previous financial year.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.32. Earnings per share ('EPS')

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|-------------------------------------|-------------------------------------|
| Earnings | | |
| Profit / (loss) after tax as | (296,727,617) | 116,008,137 |
| Less: Dividend on preference shares and tax thereon | - | 19,307,373 |
| Net profit attributable to equity shareholders for calculation of basic EPS | (296,727,617) | 96,700,764 |
| Add: Dividend on preference shares and Dividend distribution tax thereon | - | 19,307,374 |
| Add: Interest on convertible short term loan instrument | - | 28,109,588 |
| Net profit adjusted for the effects of dilutive potential equity shares for calculation of diluted EPS | (296,727,617) | 144,117,726 |
| Shares | | |
| Number of shares at the beginning of the year | 78,250,000 | 61,000,000 |
| Add: Weighted average number of equity shares (Rights issue) | - | 3,100,068 |
| Add: Weighted average number of equity shares (conversion of CCCPS issue and convertible short term loan) | - | 7,687,500 |
| Weighted average number of equity shares outstanding during the period for calculation of basic EPS | 78,250,000 | 71,787,568 |
| Effect of dilutive potential equity shares (CCCPS and convertible loan instrument) | - | 5,937,500 |
| Weighted average number of equity shares for calculation of diluted EPS | 78,250,000 | 77,725,068 |
| Earnings per share -- basic | (3.79) | 1.35 |
| Earnings per share -- diluted* | (3.79) | 1.35 |

* 11% Compulsory Cumulative Convertible Preference Shares and the convertible short term loan have not been considered for calculating diluted earnings per share as they are anti-dilutive in nature.



Kary Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.33 Related party disclosures

| Name of the party | Nature of relationship |
|--|--|
| Parties where control exists | |
| Kary Stock Broking Limited | Holding Company |
| Key management personnel | |
| Mr. Yogesh Gaat | CEO and Managing Director (with effect from 26 Dec 2016) |
| Mr. Amit Saxena | CEO and Managing Director (till 13 July 2016) |
| Mr. M. Yugandhar | Director |
| Mr. V. Mahesh | Director |
| Mr. B. D. Narang | Director |
| Ms. Jyothi Prasad | Director (with effect from 30 June 2015) |
| Mr. G. Krishna Hari | Director (with effect from 29 July 2016) |
| Mr. Mayank Thatic | Chief Financial Officer (with effect from 24 Dec 2016) |
| Mr. Abhishek Baxi | Chief Financial Officer (till 14 July 2016) |
| Ms. Meenal Talesara | Company Secretary |
| Fellow Subsidiaries – other related parties where transactions exists | |
| Kary Comtrade Limited | Fellow subsidiary and Shareholder (Till 09 Dec 2016) |
| Kary Investor Services Limited | Fellow subsidiary |
| Kary Capital Limited | Fellow subsidiary |
| Kary Realty (India) Limited | Fellow subsidiary and shareholder |
| Kary Holdings Limited | Fellow subsidiary and shareholder |
| Kary Data Management Services Limited | Fellow subsidiary |
| Kary Consultants Limited | Enterprises where KMP exercise significant Influence |
| Kary Computershare Private Limited | Enterprises where KMP exercise significant Influence |

(Related parties identified includes related parties as per Section 2(76) of the Companies Act, 2013)



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

a) Related party transactions:

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| i Inter Corporate Deposit (ICD) given/ repaid | | |
| Karvy Consultants Limited | - | 100,000,000 |
| Karvy Stock Broking Limited | 455,982,000 | 400,000,000 |
| Karvy Investor Services Limited | - | - |
| Karvy Data Management Services Limited | 300,000,000 | - |
| ii ICD taken/ (refunded) | | |
| Karvy Consultants Limited | 100,000,000 | - |
| Karvy Stock Broking Limited | 705,982,000 | 150,000,000 |
| Karvy Data Management Services Limited | 300,000,000 | - |
| iii Conversion of CCCPS into equity shares | | |
| Karvy Holdings Limited | - | 500,000,000 |
| iv Reimbursement of expenses/others (net)* | | |
| Karvy Computershare Private Limited | 2,072,221 | 467,429 |
| Karvy Stock Broking Limited | (31,266,269) | 24,399,519 |
| Karvy Capital Limited | (10,491) | 7,179,206 |
| Karvy Data Management Services Limited | 601,873 | - |
| v Interest income on ICD | | |
| Karvy Consultants Limited | 8,987,673 | 8,395,890 |
| Karvy Stock Broking Limited | 44,880,934 | 1,091,096 |
| Karvy Data Management Services Limited | 2,533,564 | - |
| vi Interest expense on ICD | | |
| Karvy Stock Broking Limited | 1,780,727 | - |
| vii Short-term Loan taken | | |
| Karvy Stock Broking Limited | - | 250,125,000 |
| viii Conversion of short-term loan availed into Equity Shares | | |
| Karvy Stock Broking Limited | - | 250,125,000 |
| ix Brokerage paid** | | |
| Karvy Stock Broking Limited | - | 30,424 |
| x Dividend paid | | |
| Karvy Holdings Limited | - | 16,041,667 |
| xi Rights issue of equity shares | | |
| Karvy Realty (India) Limited | - | 250,125,000 |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

b) Related party balances

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| i) Other Advances | | |
| Karvy Comtrade Limited | 3,169 | 214,664 |
| Karvy Stock Broking Limited | 968,951 | 392,190 |
| Karvy Data Management Services Limited | 1,978,017 | - |
| ii) Trade Payable/(receivable) | | |
| Karvy Computershare Private Limited | 180,523 | 510,109 |
| Karvy Holdings Limited | - | 1,234,305 |
| Karvy Stock Broking Limited | - | 25,753,646 |
| Karvy Capital Limited | 10,491 | - |
| iii) Security Deposits | | |
| Karvy Consultants Limited | 500,000 | 500,000 |
| iv) Inter Corporate Deposit given | | |
| Karvy Consultants Limited | - | 100,000,000 |
| Karvy Stock Broking Limited | - | 250,000,000 |

c) Related party transactions and balances with Key Managerial Personnel

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|------------------------------------|-------------------------------------|-------------------------------------|
| Managerial Remuneration | | |
| CEO and Managing Director | 12,067,848 | 30,378,066 |
| Chief Financial Officer | 2,350,135 | 5,821,619 |
| Other parties | 1,045,000 | 826,738 |
| Director sitting fees | | |
| M. Yugandhar | 940,000 | 300,000 |
| V. Mahesh | 390,000 | 260,000 |
| B D Narang | 975,000 | 380,000 |
| Jyothi Prasad (w.e.f. 30 Jun 15) | 965,000 | 320,000 |
| G. Krishna Hari (w.e.f. 29 Jul 16) | 375,000 | - |

The managerial personnel are covered by the Company's gratuity policy and are eligible for compensated absences along with other employees of the Company. The proportionate amount of gratuity and compensated absences cost pertaining to managerial remuneration have not been included in the aforementioned disclosures as these are not determined on individual basis.

d) Karvy Stock Broking Limited, the holding company has given corporate guarantee for the term loans, cash credit facilities and working capital demand loans availed by the Company from the banks. (Refer note 2.36, 2.37 and 2.38).

* Reimbursement of expenses includes cost shared towards salaries, infrastructure cost with the holding Company.

** Includes brokerage paid on behalf of Clients.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

e) Details of movement of inter corporate deposits given:

| Particulars | Karvy Stock Broking Limited | Karvy Consultants Limited | Karvy Data Management Services Limited |
|-----------------------------|-----------------------------|---------------------------|--|
| As at beginning of the year | 250,000,000 | 100,000,000 | - |
| Given during the year | 455,982,000 | - | 300,000,000 |
| Received during the year | 705,982,000 | 100,000,000 | 300,000,000 |
| As at end of the year | - | - | - |

2.34 Commercial paper

a) The Company issued commercial papers at a face value of Rs. 500,000 per unit. Balance outstanding as at 31 March 2017 is as given below:

| Sl. no. | Issue date | Maturity date | Tenor (in days) | Amount | Unamortized interest cost | Outstanding balance |
|--------------|------------|---------------|-----------------|--------------------|---------------------------|---------------------|
| 1 | 27-Feb-17 | 26-May-17 | 88 | 250,000,000 | 3,857,811 | 246,142,189 |
| Total | | | | 250,000,000 | 3,857,811 | 246,142,189 |

The above commercial papers carry interest rates at 10.50% per annum.

b) The Company issued commercial papers at a face value of Rs. 500,000 per Unit. Balance outstanding as at 31 March 2016 is as given below:

| Sl. no. | Issue date | Maturity date | Tenor (in days) | Amount | Unamortized interest cost | Outstanding balance |
|--------------|------------|---------------|-----------------|----------------------|---------------------------|----------------------|
| 1 | 18-Feb-16 | 21-Apr-16 | 63 | 50,000,000 | 328,667 | 49,671,333 |
| 2 | 18-Feb-16 | 21-Apr-16 | 63 | 10,000,000 | 65,733 | 9,934,267 |
| 3 | 26-Feb-16 | 29-Apr-16 | 63 | 100,000,000 | 920,267 | 99,079,733 |
| 4 | 09-Mar-16 | 11-May-16 | 63 | 250,000,000 | 3,220,952 | 246,779,048 |
| 5 | 10-Mar-16 | 12-May-16 | 63 | 250,000,000 | 3,301,476 | 246,698,524 |
| 6 | 15-Mar-16 | 17-May-16 | 63 | 250,000,000 | 3,704,095 | 246,295,905 |
| 7 | 16-Mar-16 | 18-May-16 | 63 | 250,000,000 | 3,784,619 | 246,215,381 |
| 8 | 09-Mar-16 | 31-May-16 | 83 | 100,000,000 | 1,959,108 | 98,040,892 |
| 9 | 21-Jan-16 | 14-Oct-16 | 267 | 100,000,000 | 5,581,742 | 94,418,258 |
| Total | | | | 1,360,000,000 | 22,866,659 | 1,337,133,341 |

The above commercial papers carry interest rates ranging from 11.25% to 12.25% per annum.



Kavya Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.35 Terms of secured and unsecured redeemable non-convertible debentures

A. Break up of secured debentures as at 31 March 2017

| Sl. No. | Series of issue | Date of Allotment | Date of Redemption | As at 31 March 2017 | As at 31 March 2016 |
|---------|-----------------|-------------------|--------------------|---------------------|---------------------|
| 1 | B43 - Type I | 6-Jan-15 | 29-Jun-18 | 12,000,000 | 12,000,000 |
| 2 | B45 - Type II | 10-Feb-15 | 5-Jun-18 | 17,000,000 | 17,000,000 |
| 3 | B 32 | 6-Mar-13 | 30-Jun-16 | - | 12,000,000 |
| 4 | B 47 | 31-Mar-15 | 27-Jun-16 | - | 69,000,000 |
| 5 | B 46 | 12-Mar-15 | 3-Jun-16 | - | 13,000,000 |
| 6 | B45 - Type I | 10-Feb-15 | 5-May-16 | - | 13,000,000 |
| 7 | B 44 | 22-Jan-15 | 13-Apr-16 | - | 24,000,000 |
| 8 | B 36 | 17-Jan-14 | 11-Apr-16 | - | 9,000,000 |
| 9 | B 41 | 20-Nov-14 | 11-Apr-16 | - | 39,000,000 |
| | Total | | | 29,000,000 | 208,000,000 |

- It includes current maturities of secured redeemable non-convertible debentures amounting to Rs. Nil (previous year Rs. 179,000,000) grouped under other current liabilities (Refer note 2.8)
- The Coupon (interest) on debentures are based on the movement of gold price and S&P CNX Nifty Index as the underlying reference asset price.

Disclosure under clause 16 of the Listing Agreement for Debt Securities

- The debentures along with coupon (interest) are secured by way of floating charge on the loan against share portfolio of the Company, ranking pari passu amongst the debenture holders along with other lenders with a minimum asset cover of 1.1 times.

B. Unsecured redeemable non-convertible debentures

In the financial year 2014-15, the Company had issued 15.60% 300 unsecured redeemable non-convertible debenture of Rs. 1,000,000 each amounting to Rs 300,000,000 redeemable by 11 May 2020.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.36 Terms of the long term secured borrowings from banks and others

a) Terms of the long term secured borrowings from banks as at 31 March 2017

| Nature of Facility | Amount Outstanding | | Interest rates range | Terms of repayment (No of Instalments) |
|--|----------------------|----------------------|---|--|
| | Current | Non-current | | |
| Term Loan (Secured by first pari passu charge by way of Hypothecation of loan receivables of the company on pari passu basis with the other Lenders). | 500,000,000# | 1,500,000,000# | * Base Rate + 1.50% to 2.85% p.a. # MCLR + 1.90% to 2.90% p.a. | 8 Half Yearly |
| | 375,000,000* | 187,144,542* | | 16 Quarterly |
| | 83,300,000# | 416,700,000# | | 6 Half-yearly |
| | 31,250,000# | 468,588,636# | | 16 Quarterly |
| | 125,000,000* | 374,777,814* | | 16 Quarterly |
| | 125,000,000* | 343,494,468* | | 16 Quarterly |
| | 337,500,000# | 411,752,311# | | 6 Quarterly |
| | 250,000,000* | 436,917,256* | | 16 Quarterly |
| | 66,666,667* | 283,331,225* | | 24 Quarterly |
| | - | 1,000,000,000# | | 16 Quarterly |
| Term Loan (Secured by first pari passu charge on the standard assets portfolio receivables pertaining to loan against commodities, loan against property and loan against gold.) | 61,538,462* | 76,923,077* | * Base Rate + 1.50% to 2.85% p.a. # MCLR + 1.90% to 2.90% p.a. | 13 Quarterly |
| | 200,000,000* | 350,000,000* | | 20 Quarterly |
| | 250,000,000* | 368,027,109* | | 8 Half-yearly |
| | 250,000,000* | 125,000,000* | | 4 Half-yearly |
| | 250,000,000# | 121,616,096# | | 4 Half-yearly |
| | 166,800,000# | 165,840,901# | | 6 Half-yearly |
| | 125,000,000# | 125,000,000# | | 16 Quarterly |
| | 83,333,333* | 166,496,362* | | 6 Half-yearly |
| | 166,666,666# | 83,124,039# | | 6 Half-yearly |
| | 249,419,396* | - | | 4 Half-yearly |
| 124,502,942* | - | 4 Half-yearly | | |
| 83,333,334* | - | 12 Quarterly | | |
| Term Loan (Secured by first Pari Passu charge on performing loan receivables pertaining to loan against property, loan against gold of the company). | 85,800,000* | 171,342,857* | | 7 Half-yearly |
| | 125,000,000* | 312,284,559* | | 8 Half Yearly |
| Term Loan, First pari-passu charge by way of hypothecation on the standard assets of the borrower (excluding receivable pertaining to capital market exposure). | 83,333,335* | 145,833,820* | | 12 Quarterly |
| | 72,727,273# | 72,727,273# | | 11 Quarterly |
| | 85,714,286# | - | | 7 Quarterly |
| Term Loan (Secured by Hypothecation charge on eligible loan receivables other than the loan against commodity and loan against shares etc. on pari passu basis (net of advances, financials, charges and NPA).) | 333,200,000# | 499,990,216# | | 6 Half-yearly |
| Total | 4,690,085,694 | 8,206,912,561 | | |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

b) Terms of the Long term secured borrowings from banks as at 31 March 2016:

| Nature of Facility | Amount Outstanding | | Interest rates range | Terms of repayment (In installments) |
|--|----------------------|-----------------------|---------------------------------|--------------------------------------|
| | Current | Non-current | | |
| Term Loan (Secured by first pari passu charge on standard assets portfolio of receivables excluding receivables pertaining to capital market exposure) | 200,000,000 | 550,000,000 | Base Rate + 1.00% to 2.85% p.a. | 20 Quarterly |
| | 166,800,000 | 331,889,346 | | 6 Half-yearly |
| | 165,913,798 | - | | 6 Half-yearly |
| | 166,666,666 | 249,848,593 | | 6 Half-yearly |
| | 125,000,000 | 375,000,000 | | 4 Half-yearly |
| | - | 500,000,000 | | 6 Half-yearly |
| | 375,000,000 | 562,216,911 | | 16 Quarterly |
| | 250,000,000 | 687,000,050 | | 16 Quarterly |
| | - | 499,839,124 | | 16 Quarterly |
| | 54,545,455 | 145,454,545 | | 11 Quarterly |
| | 64,285,714 | 85,714,286 | | 7 Quarterly |
| | 50,000,000 | 350,000,000 | | 24 Quarterly |
| | 62,500,000 | 437,374,137 | | 8 Half-yearly |
| | 250,000,000 | 624,818,243 | | 8 Half-yearly |
| 20,833,334 | 229,166,666 | 12 Quarterly | | |
| Term Loan (Secured by first pari passu charge on the standard assets portfolio receivables pertaining to loan against commodities, loan against property and loan against gold.) | 42,900,000 | 257,100,000 | Base Rate + 1.00% to 2.85% p.a. | 7 Half-yearly |
| | 46,158,419 | - | | 13 Quarterly |
| | 124,630,196 | - | | 7 Half-yearly |
| | 124,964,080 | - | | 8 Quarterly |
| | - | 249,883,205 | | 6 Half-yearly |
| | 166,515,020 | - | | 6 Half-yearly |
| | 348,020,460 | - | | 4 Half-yearly |
| | 125,000,000 | 373,160,038 | | 4 Half-yearly |
| | - | 2,000,000,000 | | 8 Half-yearly |
| | 250,000,000 | 249,234,077 | | 4 Half-yearly |
| | 125,000,000 | 250,000,000 | | 16 Quarterly |
| Term Loan (Secured by first pari passu charge on the receivables pertaining to loan against property and loan against gold.) | 250,000,000 | 124,563,492 | Base Rate + 1.00% to 2.85% p.a. | 4 Half-yearly |
| | 31,250,000 | 468,618,020 | | 16 Quarterly |
| | 83,333,332 | 83,333,336 | | 12 Quarterly |
| | 61,536,460 | 138,461,540 | | 13 Quarterly |
| Term Loan (Secured by first pari passu charge on the receivables pertaining to loan against property and loan against gold.) | 166,033,042 | - | Base Rate + 1.00% to 2.85% p.a. | 12 Quarterly |
| | 166,000,000 | 833,889,949 | | 6 Half-yearly |
| Term Loan (Secured by Hypothecation charge on eligible loan receivables other than the loan against commodity and loan against shares etc. on pari passu basis {net of advances, financials, charges and NPA}.) | 166,000,000 | 833,889,949 | | 6 Half-yearly |
| Total | 4,062,887,976 | 10,656,565,558 | | |

(Note: Above mentioned borrowing from banks are secured by corporate guarantee issued by the Holding Company)



Karvy Financial Services Limited
 Notes to the financial statements for the year ended 31 March 2017
 (All amounts in Indian rupees, except share data and where otherwise stated)

c) Terms of the long term secured borrowings from others:

| | As at 31 March 2017 | | As at 31 March 2016 | | Terms of Repayment |
|---|---------------------|-------------|---------------------|-------------|--|
| | Current | Non-Current | Current | Non-Current | |
| Term Loan (Secured by first pari passu charge on standard assets portfolio of receivable excluding receivable pertaining to capital market exposure) | 100,000,000 | 325,000,000 | 45,000,000 | 255,000,000 | 20 Quarterly installments Carries an interest of Prime Lending Rate -0.60% i.e. 11.15% p.a. |
| | 100,000,000 | 325,000,000 | 45,000,000 | 255,000,000 | |

2.37 Terms of the secured cash credits and working capital demand loan from banks (included in Short term borrowings)

a) As at 31 March 2017:

| Nature of facility | Amount Outstanding | Interest rates | Terms of repayment |
|--|--------------------|---|---------------------|
| Cash Credit (Secured by first pari passu charge on the standard assets portfolio of receivables excluding receivables pertaining to capital market exposure.) | 17,621,192* | *Base rate + 2.25% to 2.50% p.a. | Repayable on demand |
| | 148,949,573* | | |
| | 16,375,931# | | |
| | 59,698,494# | | |
| Cash Credit (Secured by hypothecation of the specific current assets including loan receivables and other current assets and excluding the current assets not eligible to be financed under RBI guidelines) | 163,021,768* | #MCLR + 1.95% to 2.40% p.a. | |
| Total | 405,666,958 | | |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

b) As at 31 March 2016:

| Nature of facility | Amount Outstanding | Interest rates | Terms of repayment |
|--|----------------------|--------------------------|---------------------|
| | Current | | |
| Cash Credit (Secured by first pari passu charge on standard assets portfolio receivables pertaining to loan against commodities, loan against property and loan against gold.) | 495,568,037 | BR + 1.00% to 2.50% p.a. | Repayable on demand |
| | 494,522,407 | | |
| | 44,322,133 | | |
| | 98,080,317 | | |
| Cash Credit (Secured by hypothecation of the specific current assets including loan receivables and other current assets and excluding the current assets not eligible to be financed under RBI guidelines) | 497,328,470 | | |
| Total | 1,629,821,364 | | |
| Working Capital Demand Loan (Secured by hypothecation of the specific current assets including loan receivables and other current assets and excluding the current assets not eligible to be financed under RBI guidelines) | #300,000,000 | 10.95% to 12.00% | Repayable on demand |
| Working Capital Demand Loan (Secured by first pari passu charge on standard assets portfolio receivables pertaining to loan against commodities, loan against property and loan against gold.) | 300,000,000 | | |
| Total | 600,000,000 | | |

Note:

- * Above mentioned borrowings from banks are secured by corporate guarantee issued by the holding company except as stated below.
- # corporate guarantee not provided

2.38 Terms of the Long term unsecured borrowings from banks

Current maturity of long term unsecured borrowing from bank under other current liabilities head includes Rs. Nil (previous year: Rs. 250,000,000) was secured by fixed deposit made by Karvy Stock Broking Limited, Holding Company. The loan carried an interest rate of 10.00% p.a. The loan was completely repaid during the year.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.39 Terms of the unsecured borrowings from other parties

a) As at 31 March 2017:

| Nature of facility | Amount Outstanding | | Interest Rate | Terms of Repayment |
|-------------------------------|--------------------|--------------------|---------------|--------------------------|
| | Short term | Long term | | |
| Line of credit against shares | 26,000,000 | - | 11.50% | Repayable on demand |
| | 15,350,000 | - | to | Repayable within 5 years |
| | - | 226,900,000 | 12.50% p.a. | |
| Total | 41,350,000 | 226,900,000 | | |

b) As at 31 March 2016:

| Nature of facility | Amount Outstanding | | Interest Rate | Terms of Repayment |
|-------------------------------|--------------------|--------------------|---------------|----------------------------|
| | Short term | Long term | | |
| Line of credit against shares | 96,067 | - | 10.25% | Repayable on demand |
| | 209,000,000 | - | | Repayable by 20 March 2017 |
| | 90,800,000 | - | to | Repayable on demand |
| | - | 122,000,000 | 12.50% | Repayable within 2 years |
| | - | 16,020,965 | p.a. | Repayable within 2 years |
| Total | 299,896,067 | 138,020,965 | | |

2.40 Terms of Inter Corporate deposits (ICD) (unsecured)

| ICD taken from | As at 31 March 2017 | As at 31 March 2016 | Repayable By | Interest Rates (p.a.) |
|-----------------------|---------------------|---------------------|---------------|-----------------------|
| Financial Institution | - | 100,000,000 | 30 April 2016 | 12.00% p.a. |
| Total | - | 100,000,000 | | |

The loan was completely repaid during the current financial year.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.41 Micro, small and medium enterprises:

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

| | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|-------------------------------------|-------------------------------------|
| The amount remaining unpaid to micro and small suppliers at the end of the year | | |
| - Principal | - | - |
| - Interest | - | - |
| The amount of interest paid by the buyer as per the MSMED Act, 2006 | - | - |
| The amount of payment made to micro and small suppliers beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006 and | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purposes of disallowances as a deductible expenditure under the MSMED Act, 2006 | - | - |



Karys Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.42 Defined benefit plans

- a. **Gratuity:** The Company makes annual contribution to a gratuity fund administered by trustees and managed by Canara HSBC Oriental Bank of Commerce Life Insurance Co Limited. Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

| Gratuity liability | For the year ended | | | | |
|------------------------------------|--------------------|---------------|---------------|---------------|---------------|
| | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
| Opening defined benefit obligation | 7,489,615 | 6,266,131 | 4,398,261 | 3,485,820 | 1,692,353 |
| Current service cost | 2,467,194 | 2,099,367 | 1,695,093 | 1,253,283 | 1,253,914 |
| Interest cost | 599,169 | 488,758 | 395,843 | 278,866 | 143,850 |
| Actuarial (losses) / gain | 91,476 | (292,147) | 203,147 | (619,708) | 395,703 |
| Benefits paid | (1,921,656) | (1,072,494) | (426,313) | - | - |
| Closing defined benefit obligation | 8,725,798 | 7,489,615 | 6,266,131 | 4,398,261 | 3,485,820 |

| Movement in fair value of planned assets | | | | | |
|---|---------|---------|---------|---------|---------|
| Fair value of plan asset at the beginning of year | 636,456 | 582,453 | 532,274 | 530,000 | - |
| Difference in opening balance | 58,554 | - | - | 2,274 | - |
| Contributions paid into the plan | - | - | - | - | 500,000 |
| Expected return on plan assets | - | 54,003 | 50,179 | - | 30,000 |
| Benefits paid | - | - | - | - | - |
| Actuarial (loss) / gain and others | - | - | - | - | - |
| Fair value of plan assets at the end of the year | 695,010 | 636,456 | 582,453 | 532,274 | 530,000 |

| Expenses recognised in the statement of profit and loss | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Current service cost | 2,467,194 | 2,099,367 | 1,695,093 | 1,253,283 | 1,253,914 |
| Interest cost | 599,169 | 488,758 | 395,843 | 278,866 | 143,850 |
| Difference in opening balance | (58,554) | - | - | - | - |
| Expected return on plan assets | - | (54,003) | (50,179) | - | (30,000) |
| Net actuarial gain/ (loss) recognized | 91,476 | (292,147) | 203,147 | (619,708) | 395,703 |
| Amount included in employee benefit expenses | 3,099,285 | 2,237,427 | 2,243,904 | 912,441 | 1,763,467 |

| Amount recognized in balance sheet | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Present value of obligation as at the end of the year | 8,725,798 | 7,489,615 | 6,266,131 | 4,398,261 | 3,485,820 |
| Fair value of plan assets as at the end of the year | (695,010) | (636,456) | (582,453) | (532,274) | (530,000) |
| Total | 8,030,788 | 6,853,159 | 5,683,678 | 3,865,987 | 2,955,820 |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

| Assumptions | For the year ended | | | | |
|---|--------------------|---------------|---------------|---------------|---------------|
| | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
| Discount rate | 7.50% | 8.00% | 7.80% | 8.00% | 8.00% |
| Salary escalation rate | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Rate of return on plan assets | - | 8.00% | 9.42% | 9.00% | 9.00% |
| Expected average remaining working lives of employees (years) | 25 | 26 | 26 | 27 | 28 |

Discount rate: The discount rate is based on the prevailing market yields of Indian Government Securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

b. Defined contribution plans

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|----------------------------------|----------------------------------|
| Amount recognized in Statement of Profit and Loss towards | | |
| - provident fund | 17,728,264 | 15,159,277 |
| - employee state insurance | 852,568 | 342,212 |
| - labour welfare fund | 235,169 | 158,500 |
| Total | 18,816,001 | 15,659,989 |

c. The company expects to pay Nil as contribution towards its defined plan in next year

2.43 Mark to Market gains / (losses) on Equity index / Commodity futures charged to the statement of profit and loss Rs. 188,410 (Previous year Loss: Rs 7,794,926).



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.44 Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014

a) Capital to Risk Asset ratio (CRAR)

| S.No. | Particulars | As at 31 March 2017 | As at 31 March 2016 |
|-------|--|------------------------|------------------------|
| (i) | CRAR% | 20.75% | 17.93% |
| (ii) | CRAR-Tier I Capital % | 19.53% | 16.66% |
| (iii) | CRAR-Tier II Capital % | 1.22% | 1.27% |
| (iv) | Amount of Subordinated debt raised as per Tier II Capital (Rs. in lakhs) | 1,800 | 3,000 |
| (v) | Amount raised by issue of perpetual debt instrument | - | - |

b) Exposure to Real Estate Sector, both direct and indirect

(Rs. in Lakhs)

| Categories | As at 31 March 2017 | As at 31 March 2016 |
|--|------------------------|------------------------|
| I) Direct Exposure | | |
| i) Residential Mortgages (Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented) | 100,933 | 139,763 |
| ii) Commercial Real Estate (Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits) | 24,729 | 38,631 |
| iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures. (Refer note 2.13) | - | - |
| a) Residential | - | - |
| b) Commercial Real Estate* | 3,910 | - |
| II) Indirect Exposure | | |
| i. (Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | - | - |

*Includes investments in Security Receipts

For the details of disclosures of investment refer note 2.13.



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

c) Maturity pattern of certain items of assets and liabilities

(Rs. in lakhs)

| 31 March 17 | 1 day to 30/31 days 1 month | Over 1 month upto 2 months | Over 2 months upto 3 months | Over 3 months upto 6 months | Over 6 months upto 1 year | Over 1 year upto 3 years | Over 3 years upto 5 years | Over 5 years | Total |
|-----------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|---------------------------|--------------------------|---------------------------|--------------|---------|
| Borrowings from banks | 4,978 | 1,438 | 7,016 | 10,521 | 27,043 | 64,744 | 17,160 | 165 | 133,065 |
| Market borrowings | - | 2,750 | - | 404 | 760 | 2,390 | 6,519 | - | 12,723 |
| Advances | 5,895 | 2,576 | 2,812 | 11,217 | 28,516 | 36,545 | 20,633 | 61,268 | 169,462 |
| Investments | - | - | - | - | - | - | 3,910 | - | 3,910 |

(Rs. in lakhs)

| 31 March 16 | 1 day to 30/31 days (1 month) | Over 1 month Upto 2 months | Over 2 months Upto 3 months | Over 3 months Upto 6 months | Over 6 months Upto 1 year | Over 1 year Upto 3 years | Over 3 years Upto 5 years | Over 5 years | Total |
|-----------------------|-------------------------------|----------------------------|-----------------------------|-----------------------------|---------------------------|--------------------------|---------------------------|--------------|---------|
| Borrowings from banks | 27,464 | 1,981 | 6,079 | 6,027 | 27,544 | 77,182 | 29,145 | 833 | 176,255 |
| Market borrowings | 3,320 | 10,130 | 1,970 | 1,328 | 3,691 | 2,270 | 4,200 | - | 26,909 |
| Advances | 15,265 | 3,152 | 3,442 | 8,591 | 27,065 | 48,906 | 27,092 | 89,836 | 223,349 |
| Investments | - | - | - | - | - | - | - | - | 1 |

d) During the year the Company was assigned credit rating by ICRA Limited for below mentioned facilities:

| Rating of products: | 31 March 17 | 31 March 16 |
|---|---|-------------------|
| (a) Commercial paper | [ICRA] A1+(SO)* | [ICRA] A1+(SO)* |
| (b) Unsecured debentures | [ICRA] A; put on watch with developing implications | [ICRA] PP - MLD A |
| (c) Secured redeemable non-convertible debentures | [ICRA] PP-MLD-A-put on watch with developing implications | [ICRA] PP - MLD A |
| (d) Long Term Bank loans | [ICRA] A+(SO)* | [ICRA] A+(SO)* |

* Rating is backed by the Guarantee given by parent viz. Karvy Stock Broking Limited (KSBL)

ICRA has placed the rating "[ICRA]A" (pronounced ICRA A) assigned earlier to the Rs. 30 crore subordinate debt, Rs. 75 crore principle protected NCD and Rs. 50 crore NCD Program of Karvy Financial Services Limited (KFSL) on 'rating watch with developing implications'.

e) As required under circular RBI / 2013-14/260/ DNBS. CC.PD.No.356/03.10.01/2013-14 dated 16 September 2013 issued by Reserve Bank of India details of gold auction conducted during the year are as under:

| Financial Year | Number of loan account auctioned | Outstanding balance (Amount in Rs.) | Value fetched (Amount in Rs.) | Sister concern participation in auction |
|----------------|----------------------------------|-------------------------------------|-------------------------------|---|
| 31 March 17 | 3,411 | 159,441,010 | 175,092,723 | None |
| 31 March 16 | 6,852 | 352,273,809 | 361,372,299 | None |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

f) Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014

i. Concentration of advances

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|--|------------------------|------------------------|
| Total advances to twenty largest borrowers | 2,587,512,644 | 2,775,238,357 |
| Percentage of advances to twenty largest borrowers to total advances | 15.27% | 12.43% |

ii. Concentration of exposures

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| Total exposure to twenty largest borrowers/ customers | 2,587,512,644 | 2,775,238,357 |
| Percentage of exposures to twenty largest borrowers / customers to total exposure on borrowers/ customers | 15.27% | 12.43% |

iii. Concentration of NPAs

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| Total exposure to top four NPA accounts | 700,000,000 | 360,697,409 |

g) Exposure to Capital Market

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|------------------------|------------------------|
| Direct investment in equity shares | - | 106,552 |
| Unsecured advances to stockbroker | 968,951 | 392,190 |
| Advances against shares / other securities to individuals for investment in shares | 213,357,477 | 287,029,320 |
| Advances for any other purposes, where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security | 448,787,948 | 668,733,677 |

h) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC:

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2017 and 31 March 2016.

i) Registration obtained from other financial sector regulators.

| Sr. No. | Regulator | Registration No. | Date of Registration |
|---------|---|-----------------------|----------------------|
| 1 | Ministry of Corporate Affairs | U67190MH2001PLC227379 | 18-10-2001 |
| 2 | Pension Fund Regulatory and Development Authority (PFRDA) | 04111 | 07-04-2011 |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

j) Details of penalties imposed by RBI and other regulators:

No penalties have been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2017 and 31 March 2016.

k) Disclosures relating to fraud in terms of the notification issued by RBI:

During the year ended 31 March 2017, the Company has not detected any fraud.

l) Unsecured Advances

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|--------------------|---------------------|---------------------|
| Unsecured Advances | 4,975,634 | 10,194,009 |

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2017 and 31 March 2016.

m) Details of non-performing financial assets purchased / sold:

A. Details of non-performing financial assets purchased:

The Company has not purchased any non-performing financial assets during the financial year ended 31 March 2017 and 31 March 2016.

B. Details of Non-performing Financial Assets sold (Refer note 2.52):

| Particulars | | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|-------------|----------------------------------|-------------------------------------|-------------------------------------|
| 1 | No. of accounts sold | 2 | - |
| 2 | Aggregate outstanding | 360,000,000 | - |
| 3 | Aggregate consideration received | 460,000,000 | - |

Amounts disclosed are before recognition of provisions.

n) Disclosures under circular RBI / 2011-12/467/ DNBS. CC.PD.No.265/03.10.01/2011-12 dated 21 March 2012

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|--|---------------------|---------------------|
| Total Gold loan portfolio | 2,356,409,075 | 2,667,616,895 |
| Total Assets | 19,158,457,252 | 24,921,224,949 |
| Gold loan portfolio as a % of total assets | 12.30% | 10.70% |

o) Remuneration of non-executive directors - Directors Sitting Fees

| Name | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| M Yugandhar | 940,000 | 500,000 |
| V. Mahesh | 390,000 | 260,000 |
| B D Narang | 975,000 | 380,000 |
| Jyothi Prasad (w.e.f. 30 Jun 2015) | 965,000 | 320,000 |
| G. Krishna Hari (w.e.f. 29 Jul 2016) | 375,000 | - |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.45 Disclosure required in terms of the Notifications issued by Ministry of Corporate Affairs on 30 March, 2017 for Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016 are detailed below:

| Particulars | SBNs | Other denomination Notes | Total |
|---|------------|--------------------------|-------------|
| Closing cash in hand as on 08 November 2016 | 49,122,000 | 4,235,751 | 53,357,751 |
| (+) Permitted receipts | | 262,095,787 | 262,095,787 |
| (-) Permitted payments | | 200,268,833 | 200,268,833 |
| (-) Amount deposited in Banks | 49,122,000 | 23,201,164 | 72,323,164 |
| Closing cash in hand as on 30 December 2016 | | 42,861,541 | 42,861,541 |

2.46 Disclosures related to sale/assignment of receivables and securitizations transactions in accordance with the RBI circular no. DBOD.NO.BP.BC.60/21.04.048/2005-06 dated 01 February 2006.

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|----------------------------------|----------------------------------|
| Total number of loans assigned | 229 | 279 |
| Book value of loan assigned | 810,968,397 | 915,675,941 |
| Sale consideration | 786,466,741 | 880,703,531 |
| Additional consideration realised in respect of accounts transferred in earlier years | - | - |
| Aggregate gain / loss over net book value | - | - |

During the year, the Company has assigned the loan receivables amounting to Rs Nil (Previous Years: Rs 565,951,840 (including interest receivables) at par. The Company has not maintained the minimum retention ratio of 10% on such assigned loan receivables. In remediation, the Company has maintained capital for securitised assets as if they were not securitised, over and above the capital mandated on its existing exposures.

2.47 As per Section 135 of the Companies Act 2013, the Company has formed Corporate Social Responsibility ('CSR') committee.

Gross amount required to be spent by the Company during the year was Rs 8,804,567 (Previous Year: Rs 7,305,426). Out of the total amount, an amount of Rs. 2,500,000 (Previous Year: Rs 750,000) has been spent for CSR activities during the year.

| Particulars | For year ended 31 March 2017 | | | For year ended 31 March 2016 | | |
|---|------------------------------|------------------------|-----------|------------------------------|------------------------|---------|
| | In cash | Yet to be paid in cash | Total | In cash | Yet to be paid in cash | Total |
| Construction/acquisition of any asset | - | - | - | - | - | - |
| On purposes other than construction / acquisition of any asset - Donation made to Prime Minister National Relief Fund | 2,500,000 | - | 2,500,000 | 750,000 | - | 750,000 |
| Total | 2,500,000 | - | 2,500,000 | 750,000 | - | 750,000 |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.48 Provision and contingency

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|-------------------------------------|-------------------------------------|
| Provision towards NPA* | 343,306,503 | 72,597,606 |
| Provision made towards income tax | | 96,988,960 |
| Provision for Standard Assets* | (17,143,460) | 14,427,735 |
| Provision for Employee Benefit Expenses | 7,050,830 | 7,129,240 |
| *For closing balances of provision - refer note 2.5 and 2.9 | | |

2.49 Disclosure with respect to customer complaints

| S.No. | Particulars | Number of complaints As at 31 March 2017 | Number of complaints As at 31 March 2016 |
|-------|--|---|---|
| 1. | No. of complaints pending at the beginning of the year | 23 | 11 |
| 2. | No. of complaints received during the year | 69 | 30 |
| 3. | No. of complaints redressed during the year | 51 | 18 |
| 4. | No. of complaints pending at the end of the year | 41 | 23 |

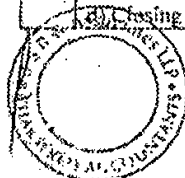
2.50 Sector wise Non-Performing Assets (NPA)

| S. No. | Sector | Percentage of NPAs to total advances as at 31 March 2017 | Percentage of NPAs to total advances as at 31 March 2016 |
|--------|---------------------------------|--|--|
| 1. | Agriculture & allied activities | 0.00% | 0.00% |
| 2. | MSME | 0.00% | 0.00% |
| 3. | Corporate borrowers | 4.83% | 0.05% |
| 4. | Services | 6.63% | 2.29% |
| 5. | Unsecured personal loans | 0.00% | 0.00% |
| 6. | Auto loans | 0.00% | 0.00% |
| 7. | Other loans | 1.95% | 0.80% |
| | Total | 13.41% | 3.14% |

* This represents percentage of gross NPA's to gross advances

2.51 Movement in Non-Performing Asset (NPA)

| Particulars | 31 March 2017 | 31 March 2016 |
|---------------------------------------|---------------|---------------|
| i) Net NPA to net advances percentage | 11.10% | 2.81% |
| ii) Movement of NPAs (Gross) | | |
| a) Opening balance | 702,313,169 | 10,394,449 |
| b) Additions during the year | 2,165,871,507 | 1,340,759,236 |
| c) Reduction during the year | (698,831,402) | (648,840,515) |
| d) Closing balance | 2,169,353,274 | 702,313,169 |
| iii) Movement of net NPAs | | |
| a) Opening balance | 625,594,518 | 6,273,403 |
| b) Additions during the year | 1,749,442,075 | 1,203,277,579 |
| c) Reduction during the year | (625,708,473) | (583,956,464) |
| d) Closing balance | 1,749,328,120 | 625,594,518 |



Karvy Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

| Particulars | | 31 March 2017 | 31 March 2016 |
|-------------|---|---------------|---------------|
| iv) | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| | a) Opening balance | 76,718,651 | 4,121,043 |
| | b) Provisions made during the year | 416,429,412 | 137,481,657 |
| | c) Write off/ write back of excess provisions | (73,122,929) | (64,884,052) |
| | d) Closing balance | 420,025,134 | 76,718,651 |

2.52 Financial assets transferred during the year to Securitization company (SC)/ Reconstruction company (RC)

Karvy Financial Services Limited has been notified as Financial Institution under the The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003, through the Gazette issued by Ministry Of Finance, (Department of Financial Services), notification dated 5th August, 2016 (S.O. 2641(E)). During the current year, Company has transferred certain assets to Asset Reconstruction Companies (ARCs) in terms of the guidelines issued by RBI.

For the purpose of the valuation of the underlying security receipts issued by the underlying trusts managed by ARCs, the security receipts are valued at their respective net asset values as advised by the ARCs.

The following table sets forth, for the periods indicated, the details of the assets transferred.

| Particulars | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| Number of accounts | 2 | - |
| Aggregate value (net of provisions) of accounts sold to SC/RC | 324,000,000 | - |
| Aggregate consideration | 460,000,000 | - |
| Additional consideration realised in respect of accounts transferred in earlier years | - | - |
| Aggregate gain/(loss) over net book value | 136,000,000 | - |

The following table sets forth, for the periods indicated, the details of the net book value of investments in security receipts:

| Particulars | Year ended 31 March 2016 | Year ended 31 March 2016 |
|--|-----------------------------|-----------------------------|
| Net book value of investments in security receipts which are backed by NPAs sold by the Company as underlying: | 391,000,000 | - |

2.53 The Company has executed a 'Business Transfer Agreement (BTA)' with M/s Small Business Finance Company Private Limited (formerly Mape Finserve Private Limited) on 1 August 2017, to dispose a part of retail lending division of the company as a going concern on slump sales basis, free and clear of all encumbrances for a purchase consideration towards the transfer of identified loan assets/receivables (less any provisions) together with related fixed assets, current assets and current liabilities as on the date of sale. The members' approval in this regard was obtained in the extraordinary general meeting of the Company held on 16 September 2017. The transaction has been consummated on 28 September 2017.



Kury Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

Details of Business Transfer are as follows:

| Particulars | Rs. |
|--|-----------------------|
| Portfolio Sold (Net of provisions) | 8,160,236,873 |
| Fixed Assets (Net Block) | 69,678,279 |
| Other Assets | 25,188,143 |
| Total Assets | 8,255,103,295 |
| Liability for employee benefits | 474,20,630 |
| Other liabilities | 220,49,466 |
| Total Liabilities | 694,70,096 |
| Net Assets Transferred | 8,185,633,199 |
| Purchase Consideration | 10,795,633,199 |
| Profit from Sale of Portfolio on slump sale basis | 2,610,000,000 |

2.54 The Company does not have any un-hedged foreign currency exposure

2.55 As per the provisions of section 197 of Companies Act, 2013 total managerial remuneration to be paid to its Chief Executive Officer (CEO) and Managing Director, for the year shall not exceed eleven percent of the net profits without prior approval of the Central Government. The Company has paid remuneration to the Chief Executive Officer (CEO) and Managing Director amounting to Rs. 28,837,392 for the year ended 31 March 16 which exceeds the prescribed limits by Rs. 14,212,458. Consequent to an application filed by the Company, the Central Government (Ministry of Corporate Affairs), in exercise of its powers conferred on it under section 197 of the Companies Act, 2013, vide its order dated 04 July 2017, gave its approval for the waiver of recovery of excess remuneration of Rs. 10,747,392 paid. The company has accounted for the balance amount of Rs. 3,465,066 as receivable, as prescribed by the Companies Act, 2013. The management intends to adjust the aforesaid receivable against the full and final amount payable.

2.56 **Transfer Pricing**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Section 92-92F of the Income Tax, 1961. The Management is of the opinion that its domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

2.57 **Disclosure under clause 28 of the Listing Agreement for Debt Securities**

| Particulars | 31 March 17 | 31 March 16 |
|---|-------------|-------------|
| a) Loans and advances in the nature of loans to subsidiaries | - | - |
| b) Loans and advances in the nature of loans to associates | - | - |
| c) Loans and advances in the nature of loans where there is - | - | - |
| (i) no repayment schedule or repayment beyond seven years | - | - |
| (ii) no interest or interest below section 186 of Companies Act, 2013. | - | - |
| d) Loans and advances in the nature of loans to firms/companies in which directors are interested | - | - |



Kary Financial Services Limited

Notes to the financial statements for the year ended 31 March 2017

(All amounts in Indian rupees, except share data and where otherwise stated)

2.58 Discontinuing Operations

Pursuant to the approval by the members to dispose the retail lending division of the company as a going concern on slump sales basis, free and clear of all encumbrances together with related fixed assets, current assets and current liabilities as on the date of sale, the retail business has been considered as a discontinuing operation as defined by Accounting Standard 24 - Discontinuing Operations. The related disclosures are as below:

| Particulars | As at 31 March 2017 |
|-------------------|---------------------|
| Total assets | 13,329,059,809 |
| Total liabilities | 161,834,409 |
| Net assets | 13,167,225,391 |

The following statement shows the breakup of aggregate amounts in respect of revenue and expenses as reported in the statement of profit and loss between continuing and discontinuing operations.

| Particulars | For the year ended 31 March 2017 | | |
|-------------------------------|----------------------------------|--------------------------|---------------|
| | Continuing operations | Discontinuing operations | Total |
| Revenue from operations | 406,340,736 | 2,396,281,629 | 2,802,622,365 |
| Operating expenses | 290,841,251 | 158,388,041 | 449,229,292 |
| Employee benefits expense | 22,171,141 | 329,194,005 | 351,365,146 |
| Finance costs | 467,419,136 | 1,638,843,113 | 2,106,262,249 |
| Depreciation and amortization | - | 29,188,391 | 29,188,391 |
| Other expenses | 61,038,680 | 214,010,972 | 275,049,652 |
| (Loss) / profit before tax | (435,129,472) | 26,657,107 | (408,472,365) |
| Income tax expense: | (93,241,130) | (18,503,618) | (111,744,748) |
| (Loss) / profits for the year | (341,888,342) | 45,160,725 | (296,727,617) |

The net cash flows attributable to the discontinued operations are as follows

| Particulars | For the year ended 31 March 2017 |
|--|----------------------------------|
| Net cash flows from operating activities | 4,482,498,648 |
| Net cash flows from investing activities | (13,877,520) |
| Net cash flows from financing activities | - |
| Net cash generated for the year from discontinued operations | 4,468,621,128 |



Karvy Financial Services Limited

Notes to financial statements for the year ended 31 March 2017 (continued)

(All amount in Indian rupees, except where share data and otherwise stated)

2.59: Previous year's figures

Previous year's figures have been regrouped /reclassified, where necessary to confirm to current year's classification.

for B.S.R & Associates LLP
Chartered accountant
ICAI Firm's registration no.
116231W/W-100024

Rohit Alexander
Partner
Membership No. 222515

for Lalith Prasad and Co
Chartered accountant
ICAI Firm's registration no.
008089S

S. Lalith Prasad
Partner
Membership No. 023665



For and on behalf of the Board of Directors of
Karvy Financial Services Limited
CIN: U67190MH2001PLC227379

M. Yugandhar
Director
DIN :00012265

B.D. Narang
Director
DIN :00038052

V Mahesh
Director
DIN:00800219

Mayank Shyam Thattu
Chief Financial Officer
PAN : ACWPT2839A

Yogesh Gaat
CEO & Managing
Director
DIN :07189252

Jyothi Prasad
Director
DIN :06947488

G. Krishna Hari
Director
DIN :00148721

Meenal Talesara
Company Secretary
M.No.A22658

Place: Hyderabad
Date: 22 DEC 2017

Place: Hyderabad
Date: 22 DEC 2017

Place: Hyderabad
Date: 22 DEC 2017