

## NOTICE

**NOTICE** is hereby given that the Eighth Annual General Meeting of the Members of **CAPITAL FIRST LIMITED** will be held at the Mini Theatre, 3<sup>rd</sup> Floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025, on Thursday, August 22, 2013, at 3:00 p.m. to transact the following businesses:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the year ended March 31, 2013, together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares of the Company for the Financial Year ended March 31, 2013.
3. To appoint a Director in place of Mr. Anil Singhvi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. S.R. Batliboi & Co. LLP, Chartered Accountants, having ICAI firm registration no. 301003E, Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board to fix their remuneration.

### **SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** Mr. Vishal Mahadevia, who was appointed as an Additional Director of the Company by the Board of Directors with effect from September 28, 2012 and who holds office up to the date of this Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose Mr. Vishal Mahadevia as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** Mr. M S Sundara Rajan, who was appointed as an Additional Director of the Company by the Board of Directors with effect from February 6, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose Mr. M S Sundara Rajan as a candidate for the office of Director of the Company, be and

is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** Mr. Hemang Raja, who was appointed as an Additional Director of the Company by the Board of Directors with effect from February 6, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose Mr. Hemang Raja as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** in supersession of the resolution passed by the Members of the Company at the 7<sup>th</sup> Annual General Meeting of the Company held on September 25, 2012 and pursuant to the provisions of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) (**“the Act”**) and the provisions of the Memorandum of Association and Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded to the Board of Directors to borrow any sum or sums of monies, from time to time, in any form including but not limited to bank/ Institutional loans, inter corporate deposit(s), credit facilities, debentures (redeemable, non-convertible, structured or unstructured), other non-convertible instruments, sub-debt, perpetual debt or in any other form, upon such terms and conditions as to interest, repayment, or otherwise and with or without security, as the Board may think fit for the purposes of the Company’s business notwithstanding that the money or monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, provided however, the total amount so borrowed (apart from the temporary loans obtained from the Company’s bankers in the ordinary course of business) shall not exceed at any point in time (excluding any interest on such borrowings) a sum equivalent to ₹ 10,000 Crore (Rupees Ten Thousand Crore Only) over and above the aggregate, for the time being, of the paid-up capital and free reserves of the Company.

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**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised to approve, finalise, modify, settle and execute such documents / deeds / writings / papers / agreements as may be required or considered necessary by the Board and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, expedient, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to borrowing(s) as aforesaid or in respect of any other related matter in this regard.”

9. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“**RESOLVED THAT** in partial modification of the Special Resolution passed by the members at the Extraordinary General Meeting held on August 27, 2010 and pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, [including any statutory modification or re-enactment thereof, for the time being in force] and all guidelines and clarifications, for managerial remuneration issued by the Central Government from time to time and subject to the approval of Central Government, if applicable, the Company hereby approves, confirms and ratifies the revised salary, perquisites and performance bonus (**‘Remuneration’**) payable to Mr. V. Vaidyanathan, Chairman and Managing Director, with effect from December 1, 2012, as mentioned in the Explanatory Statement attached hereto, for remaining period with effect from December 1, 2012 upto August 9, 2015 and more particularly set out in the CMD Agreement dated November 30, 2012 entered into between the Company and Mr. V. Vaidyanathan modifying the terms of original appointment agreement dated August 1, 2010.

**RESOLVED FURTHER THAT** where in any financial year, during the currency of the tenure of Mr. V. Vaidyanathan as Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to Mr. V. Vaidyanathan, the Remuneration not exceeding the limits stipulated in the aforesaid draft Agreement within the overall ceiling specified in Schedule XIII to the Act or subject to the approval of the Central Government notwithstanding that the same is in excess of the maximum remuneration permitted to be paid to him under the applicable provisions of the Act as amended from time to time.

**RESOLVED FURTHER THAT** the Board of Directors of the Company, be and is hereby authorised to apply on behalf of the Company to the Central Government, if required, for taking its approval for payment of remuneration to Mr. V. Vaidyanathan as mentioned above and also authorised to do all such acts, deeds, things and matters

as may be necessary and to execute necessary documents/ agreements/ applications/ letters on behalf of the Company.”

10. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and/or Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof), the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, as amended, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Deposit Receipt Mechanism) Scheme, 1993, as amended and the applicable Rules, Regulations, Notifications and Circulars, if any, issued by Securities and Exchange Board of India (SEBI) from time to time, including the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the ICDR Regulations), Reserve Bank of India (RBI), Government of India or any other competent authority and clarifications, if any, issued thereon from time to time by appropriate authorities, the Equity Listing Agreements (the “Listing Agreement”) entered into by the Company with the Stock Exchanges where the Company’s equity shares of face value of ₹ 10 each (the “Equity Shares”) are listed and other concerned and appropriate authorities, and other applicable laws, if any, and relevant provisions of the Memorandum and Articles of Association of the Company and subject to such approval(s), consent(s), permission(s) and/or sanction(s), if any, of the Government of India, RBI, SEBI and any other appropriate authority(ies), Bank(s), Institution(s) or Body(ies), as may be necessary and subject to such conditions as may be prescribed by any of them in granting any such approval, consent, permission or sanction, as are accepted by the Board of Directors of the Company, (hereinafter referred to as the “**Board**”, which term shall be deemed to include any duly constituted Committee thereof), be and is hereby authorized to create, offer, issue and allot Equity Shares/Securities in one or more tranches, in the course of domestic or international offerings, by way of Follow-on Public Offer (FPO) and/or by way of a Qualified Institutions Placement (QIP) in terms of the Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time and/or Equity Shares in the form of Global Depository Receipts (GDRs), and/or American Depository Receipts (ADRs), and/or External Commercial Borrowings (ECBs) with rights of conversion into shares, and/or Foreign Currency Convertible Bonds (FCCBs) and/or Optionally or Compulsorily Convertible Preference Shares (OCPS/CCPS), convertible into Equity Shares of the

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Company with voting rights or with differential rights as to voting, dividend or otherwise in accordance with such rules and subject to such conditions as may be prescribed or any other instrument convertible into Equity Shares with voting rights or with differential voting rights as to voting, dividend or otherwise (hereinafter referred to as the “**Securities**”), to be subscribed to, by International and/or Indian Banks, Institutions, Institutional Investors, Mutual Funds, companies, other Corporate Bodies, Resident/ Non-Resident Indians, Foreign Nationals and other eligible Investors, as may be decided by the Board, (hereinafter referred to as the “**Investors**”), whether or not such Investors are members of the Company or not (including with the provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Company group/associate company(ies) / holding company as may be permitted by the ICDR Regulations from time to time), at such time or times, at such price or prices, at such discount/ premium to the market or prices in such manner and on such terms and conditions including security, rate of interest etc. including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of all other categories of Investors, as may be determined by the Board at the time of such issue and allotment, considering the prevalent market conditions and other relevant factors wherever necessary, upto an aggregate of ₹ 300 Crore (Rupees Three Hundred Crore only) in Indian Rupees or equivalent in any foreign currency (inclusive of such premium as may be determined) and such issue and allotment be made at such time or times, in such tranche or tranches, in such currency or currencies, in such manner and on such terms and conditions (including, if necessary, in relation to security on convertible debt instruments) as may be decided and deemed appropriate by the Board in its sole discretion at the time of issue / allotment.

**RESOLVED FURTHER THAT** in case of QIP, pursuant to Chapter VIII of the ICDR Regulations, the allotment of Equity Shares/ Securities shall only be made to Qualified Institutional Buyers within the meaning of Chapter VIII of the ICDR Regulations and such Securities shall be fully paid-up and the allotment of such Securities shall be completed within 12 months from the date of this resolution.

**RESOLVED FURTHER THAT** the relevant date for determination of the floor price of the Equity Shares to be issued by way of QIP issue shall be the date(s) of the meeting(s) in which the Board decides to open the proposed issue or the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares, as the case may be (“Relevant Date”).

**RESOLVED FURTHER THAT** the Company and/or any agency or body authorized by the Company, may issue receipts/ certificates representing the underlying Securities and/or Equity Shares issued by the Company with such features and attributes as are prevalent in International Capital Markets for instruments of this nature and provide for the tradability or free transferability thereof as per the domestic/ international practices, norms and regulations, and under the norms and practices prevalent in the International Markets.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot, from time to time, such number of Equity Shares at such premium as may be decided by the Board in its absolute discretion as may be required to be issued and allotted upon conversion of such Securities as may be necessary in accordance with the terms of the offering, including additional Equity Shares, and all such shares shall rank pari-passu with the then existing Equity Shares in the Company in all respects including the dividend.

**RESOLVED FURTHER THAT** for the purpose of giving effect to any issue and/or allotment of Equity Shares in the Company or Securities or instruments or Securities representing or convertible into Equity Shares in the Company, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion, deem necessary, appropriate or desirable for such purpose, including, without limitation, determining the form and manner of the issue, the class of investors to whom the Equity Shares/Securities are to be issued and allotted, number of Equity Shares/Securities to be allotted in each tranche, issue price, face value, premium amount on issue/ conversion of Securities/exercise of warrants/redemption of Securities, rate of interest, redemption period, to appoint Lead Managers, Merchant Bankers, Global Business Coordinators, Book Runners, Underwriters, Guarantors, Financial and/or Legal Advisors, Depositories, Custodians, Registrars, Trustees, Bankers and all other agencies, to enter into or execute all such agreements/ arrangements /MOUs/ documents with any such agencies, as may be necessary; to list the Securities and the Equity Shares to be issued on conversion of the said Securities on any Indian and/or Foreign Stock Exchange(s), as it may in its absolute discretion deem fit.

**RESOLVED FURTHER THAT** the Board of Directors be authorised to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Chairman or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution(s) and matters flowing from, connected with and incidental to any of the matters mentioned in the aforesaid resolution and the Board be and is hereby authorised on behalf of the

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Company to take all actions and to resolve and settle all questions and difficulties that may arise in the proposed issue/offer, allotment and conversion of any of the aforesaid Securities, utilization of the issue proceeds and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

11. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“**RESOLVED THAT** in partial modification of the Special Resolution(s) passed by the members at the Annual General Meeting (hereinafter referred to as “**AGM**”) held on September 25, 2007 for approval of Employees Stock Option Scheme – 2007 (**CFL - ESOS 2007**) and ratification of the said scheme pursuant to Clause 22. 2A(a)(ii) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 in AGM held on August 4, 2009, AGM held on August 14, 2008 and August 4, 2009 for approval and modification of Employee Stock Option Scheme 2008 (**CFL - ESOS 2008**), AGM held on August 4, 2009 for approval of Employee Stock Option Scheme 2009 (**CFL - ESOS 2009**), Special resolution passed by way of Postal Ballot results declared on March 16, 2011 for approval of Employee Stock Option Scheme 2011 (**CFL - ESOS 2011**) and Special resolution passed by way of Postal Ballot results declared on July 5, 2012 for approval of Employee Stock Option Scheme 2012 (**CFL - ESOS 2012**) and subject to Section 81 (1A) and other applicable provisions if any of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, other concerned and relevant authorities, and other applicable laws, if any and subject to such approvals, permissions, conditions and modifications as may be prescribed or imposed by any regulatory authorities, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as “**the Board**”) which term shall be deemed to include the Compensation & Nomination Committee, which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) to modify the exercise period of options granted/ to be granted to the employees/Director of the Company to “5 years from the date of vesting or ten years from the Grant Date whichever is later” (hereinafter referred to as “**modified option**”) in all existing Employee Stock Option scheme(s) viz. CFL - ESOS 2007, CFL – ESOS 2008, CFL – ESOS 2009, CFL

ESOS 2011 and CFL ESOS 2012 (hereinafter collectively referred to as “**CFL – ESOS Schemes**”) constituted pursuant to the said resolution(s).

**RESOLVED FURTHER THAT** the relevant Clauses/Articles in the CFL - ESOS Schemes with regards to ‘Exercise Period’ be accordingly modified with such exceptions as may be considered necessary or appropriate by the Board.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit, necessary or desirable for the purpose of giving effect to this resolution with power to settle any issues, questions, difficulties or doubts that may arise in this regard.”

12. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“**RESOLVED THAT** in partial modification of the Special Resolution(s) passed by the members at the Annual General Meeting(s) (hereinafter referred to as “**AGM**”) held on September 25, 2007 for approval of Employees Stock Option Scheme – 2007 (**CFL - ESOS 2007**) and ratification of the said scheme pursuant to Clause 22.2A(a)(ii) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 in AGM held on August 4, 2009, AGM held on August 14, 2008 and August 4, 2009 for approval and modification of Employee Stock Option Scheme 2008 (**CFL - ESOS 2008**), AGM held on August 4, 2009 for approval of Employee Stock Option Scheme 2009 (**CFL - ESOS 2009**), Special resolution passed by way of Postal Ballot results declared on March 16, 2011 for approval of Employee Stock Option Scheme 2011 (**CFL - ESOS 2011**) and Special resolution passed by way of Postal Ballot results declared on July 5, 2012 for approval of Employee Stock Option Scheme 2012 (**CFL - ESOS 2012**) and subject to Section 81 (1A) and other applicable provisions if any of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, other concerned and relevant authorities, and other applicable laws, if any, and subject to such approvals, permissions, conditions and modifications as may be prescribed or imposed by any regulatory authorities, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as “**the Board**”) which term shall be deemed to include the Compensation & Nomination Committee, which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) for modification of the exercise period of options granted/to be granted to the employees/Director of Company

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and/or Subsidiaries Company(ies) to “5 years from the date of vesting or ten years from the Grant Date whichever is later” in all existing Employee Stock Option scheme(s) viz. CFL – ESOS 2007, CFL – ESOS 2008, CFL – ESOS 2009, CFL – ESOS 2011 and CFL ESOS 2012 (hereinafter collectively referred to as “**CFL – ESOS Schemes**”) constituted pursuant to the said resolution(s).

**RESOLVED FURTHER THAT** the relevant Clauses/Articles in the CFL - ESOS Schemes with regards to ‘Exercise Period’ be accordingly modified with such exceptions as may be considered necessary or appropriate by the Board.

**RESOLVED FURTHER THAT** the Board, be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit, necessary or desirable for the purpose of giving effect to this resolution with power to settle any issues, questions, difficulties or doubts that may arise in this regard.”

**By Order of the Board of Directors**

**Satish Gaikwad**  
Company Secretary

Place : Mumbai

Date : May 27, 2013

**Registered Office:**

Indiabulls Finance Centre, Tower-2,  
15<sup>th</sup> Floor, Senapati Bapat Marg,  
Elphinstone (West), Mumbai - 400 013.

**NOTES:**

- a) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business set out in the Notice, wherever applicable, is annexed hereto.
- b) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- c) Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Annual General Meeting.
- d) Corporate Members intending to send their authorised representative(s) to attend the Meeting are requested to send a certified copy of the Board resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.
- e) Members desirous of obtaining any information as regards accounts of the Company are requested to write to the Company at least one week before the Meeting, so that the information required will be made available at the Annual General Meeting.
- f) Documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days of the Company, between 2:00 p.m. to 5:00 p.m. up to the date of the Annual General Meeting.
- g) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, August 17, 2013 to Thursday, August 22, 2013 (both days inclusive) for determining the names of the Members eligible for dividend on Equity Shares, if declared at the Annual General Meeting.
- h) The dividend on Equity Shares, if declared at the Annual General Meeting, will be paid on or after Friday, August 23, 2013, to those Members, holding shares in physical form, whose names shall appear on the Company’s Register of Members on close of business hours on Friday, August 16, 2013; in respect of the shares held in dematerialized form, the dividend will be paid to the Members whose names are furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited as the beneficial owners as at the close of business hours on Friday, August 16, 2013. In terms of the directives of Securities and Exchange Board of India, shares issued by the Company should rank *pari-passu* in all respects, including dividend entitlement and accordingly the equity shares allotted/to be allotted by the Company during the period April 1, 2013 to August 16, 2013, will also be entitled to the dividend.
- i) Members holding shares in physical form are requested to immediately notify change in their address, if any, to the Registrar and Transfer Agent of the Company, viz., Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai – 400 078, quoting their Folio Number(s).
- j) The Company will disburse the dividend vide ECS/NECS to those share holders whose requisite particulars are available and to other share holders vide dividend warrants. The intimation of dividend payout/dispatch will be sent within the statutory period.
- k) Members/Proxies are requested to bring the Attendance Slip(s) duly filled in.
- l) Copies of the Annual Report will not be distributed at the Annual General Meeting; Members are requested to bring their copy of the Annual Report to the Meeting.

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- m) Members are requested to note that the Company's shares are under compulsory demat trading for all investors. Members are, therefore, requested to dematerialise their shareholding to avoid inconvenience.
- n) Members may avail of the nomination facility as provided under Section 109A of the Companies Act, 1956.
- o) Pursuant to the requirements of Corporate Governance under Clause 49 of Listing Agreement entered into with the Stock Exchange(s), the brief resumes of all the Directors proposed to be re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/chairmanships of Board/Committees, shareholding and relationships between Directors inter-se, are provided in the Directors' Report forming part of the Annual Report.
- p) With respect to the introduction of CFL – ESOS Scheme 2009, the following disclosures were required to be made as part of explanatory statement of the approved special resolution:
- a) Exercise Period - The exercise period is as provided in point no. 3 of table given in Explanatory Statement of this notice for item no. 11 & 12.
  - b) Exercise Process – Exercise Process is as provided in Article 12(f) of the CFL ESOS Scheme 2009 and the said Article is reproduced as follows:
 

*“The options shall be deemed to have been Exercised only when the Company receives:*

    - (i) a written or electronic notice of Exercise from the option holder, in such form as may be prescribed; and*
    - (ii) the full payment towards the Exercise Price, in respect of Shares and the tax amount payable as tax under the relevant tax laws, for the time being in force.”*
  - c) Exercise Method for valuation of Options - Exercise Method is as provided in Article 12(j) of the CFL ESOS Scheme 2009 and the said Article is reproduced as follows:
 

*“The Company shall follow the intrinsic value method for computing the compensation cost for the options Granted. The difference between the compensation cost so calculated and the compensation cost that would have been recognised if the Company had used fair value method and its impact on the profits and earnings per share shall be disclosed in the Directors' Report of the Company.”*

The Members may take note of the same.

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### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### ITEM NO. 5:

Mr. Vishal Mahadevia was appointed as an Additional Director of the Company by the Board of Directors with effect from September 28, 2012. In terms of the provisions of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr. Mahadevia holds office up to the date of the forthcoming Annual General Meeting.

Mr. Vishal Mahadevia, aged 40 is Managing Director and co-head of Warburg Pincus India Private Limited. Previously, he was with Greenbriar Equity Group, a fund focused on private equity investments in the transportation sector. Prior to that, Mr. Mahadevia worked at Three Cities Research, Inc., a New York-based private equity fund, and as a consultant with McKinsey & Company. He is a director of AU Financiers, Capital First, Continental Warehousing, Gangavaram Port, IMC Limited and QuEST Global Services. Mr. Mahadevia received a B.S. in economics with a concentration in finance and a B.S. in electrical engineering from the University of Pennsylvania.

A notice pursuant to Section 257 of the Companies Act, 1956, has been received from a Member, signifying his intention to propose the appointment of Mr. Mahadevia. This may also be treated as an individual notice to the Members of his candidature, pursuant to Section 257(1A) of the Companies Act, 1956.

Your Directors recommend the resolution set out in the Notice for your approval.

None of the Directors other than Mr. Mahadevia are in any way, concerned or interested in the resolution.

#### ITEM NO. 6:

Mr. M S Sundara Rajan was appointed as an Additional Director of the Company by the Board of Directors with effect from February 6, 2013. In terms of the provisions of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr. Sundara Rajan holds office up to the date of the forthcoming Annual General Meeting.

Mr. M S Sundara Rajan, aged 63, is a Post Graduate in Economics from University of Madras with specialisation in Mathematical economics, National Income and Social Accounting. He is also a Certified Associate of Indian Institute of Bankers and Associate Member of Institute of Company Secretaries of India. He was Chairman and Managing Director (CMD) of Indian Bank and has total experience of over 38 years in the Banking Industry. He has also earlier worked with Union Bank of India for over 33 years. During his Stewardship as CMD of Indian Bank, the said Bank has won many accolades and awards. He has been ranked 45<sup>th</sup> in the Economic Times India Inc's most powerful CEOs list

(2009) and also Ranked No. 2 among the CEOs of Nationalized Banks and No. 6 among the CEOs of Commercial banks.

A notice pursuant to Section 257 of the Companies Act, 1956, has been received from a Member, signifying his intention to propose the appointment of Mr. Sundara Rajan. This may also be treated as an individual notice to the Members of his candidature, pursuant to Section 257(1A) of the Companies Act, 1956.

Your Directors recommend the resolution set out in the Notice for your approval.

None of the Directors other than Mr. Sundara Rajan are in any way, concerned or interested in the resolution.

#### ITEM NO. 7:

Mr. Hemang Raja was appointed as an Additional Director of the Company by the Board of Directors with effect from February 6, 2013. In terms of the provisions of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr. Raja holds office up to the date of the forthcoming Annual General Meeting.

Mr. Hemang Raja, aged 54, is an MBA from Abeline Christian University, Texas, with a major emphasis on finance. He has also done an Advanced Management Program (AMP) from Oxford University, UK. He has a vast experience of over thirty three years in financial services encompassing fund based businesses such as Project Finance and Corporate Banking, together with Treasury management and Structured products with IL&FS. Mr. Raja has also been the head of Capital Market activities in the Institutional and Retail Segments when he started and became the Managing Director and CEO of the then newly formed initiative by IL&FS, namely IL&FS Investsmart Ltd.

During the last five years, he has been involved in the Private Equity and Fund Management business with Credit Suisse and Asia Growth Capital Advisers in India as MD and Head-India.

Over the course of his career he has cultivated and managed over a hundred strong Corporate Relationships and has been involved in the creation of a retail customer base of more than two hundred thousand, in IL&FS and IL&FS Investsmart Ltd. He has served on the executive committee of the board of the National Stock Exchange of India Limited and also served as a member of the Corporate Governance Committee of BSE Limited.

A notice pursuant to Section 257 of the Companies Act, 1956, has been received from a Member, signifying his intention to propose the appointment of Mr. Raja. This may also be treated as an individual notice to the Members of his candidature, pursuant to Section 257(1A) of the Companies Act, 1956.

Your Directors recommend the resolution set out in the Notice for your approval.

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None of the Directors other than Mr. Raja are in any way, concerned or interested in the resolution.

### ITEM NO. 8:

At the Seventh Annual General Meeting of the Company held on September 25, 2012, Members of the Company had accorded their approval in terms of Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors to borrow monies from time to time, not exceeding ₹ 7,500 Crore (Rupees Seven Thousand Five Hundred Crore Only) in excess of the aggregate of the paid up capital and free reserves of the Company.

To meet the growing business requirements and to enable an active borrowing program by the Company and to access funds at most competitive rate(s), the Company may consider undertaking different forms of borrowings including but not limited to term loan(s), working capital facilities, inter corporate deposit(s), commercial paper, debentures, sub-debt, other non-convertible or convertible debt instruments and/or other fund based facilities whether secured or unsecured or structured or unstructured as may be allowable to be mobilised by the Company. In this regard, it is, therefore, proposed to increase the present borrowing limits from ₹ 7,500 Crore (Rupees Seven Thousand Five Hundred Crore Only) to ₹ 10,000 Crore (Rupees Ten Thousand Crore Only) over and above the paid up capital and free reserves of the Company.

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, approval of the Members at a General Meeting is required if the monies to be borrowed, together with the monies already borrowed by a Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), exceed the aggregate of the paid-up capital of the Company and its free reserves.

The Members by way of an Ordinary Resolution passed at the Annual General Meeting dated August 17, 2011, had authorised the Board of Directors, under Section 293(1)(a) of the Companies Act, 1956, to offer and create such charge(s), hypothecation(s) and/or mortgage(s) of any description, in such form, manner, ranking as to priority, at such time and on such terms as the Board may determine, over the moveable and/or immovable, tangible and/or intangible, properties of the Company, in favour of the lenders for the purpose of securing the borrowing(s) of the Company, subject to the limits of borrowing as approved by the Members of the Company, from time to time, under Section 293(1)(d) of the Companies Act, 1956.

Accordingly, it is proposed to seek approval of the Members under Section 293(1)(d) of the Companies Act, 1956, by way of an Ordinary Resolution, to authorise the Board of Directors to borrow monies in excess of the paid-up capital and free reserves of the Company so however, that the total amount so borrowed shall not exceed at any point in time (excluding any interest on

such borrowings) a sum equivalent to ₹ 10,000 Crore (Rupees Ten Thousand Crore Only) over and above the aggregate, for the time being, of the paid-up capital and free reserves of the Company, other than borrowings which are to be excluded in computing such limits pursuant to the provisions of the said Section.

The Directors recommend the passing of this Resolution at Item No.8 as an Ordinary Resolution, for approval of Members.

None of the Director of the Company is, in any way, concerned or interested in the Resolution(s).

### ITEM NO. 9:

The Members at the Extraordinary General Meeting of the Company held on August 27, 2010 approved the appointment of Mr. V. Vaidyanathan as Managing Director for a period of 5 years (from August 10, 2010 till August 9, 2015) on an annual remuneration of ₹ 3 Crore (Rupees Three Crore only) and Performance Bonus not exceeding ₹ 50 Lac (Rupees Fifty Lac only), and on such terms and conditions as mentioned in the Agreement entered into between the Company and Mr. Vaidyanathan as on August 1, 2010 ('Appointment Agreement'). Mr. Vaidyanathan was, thereafter, re-designated as the Chairman and Managing Director (CMD) of the Company at the Board Meeting held on September 28, 2012.

Mr. Vaidyanathan brings with him a stellar background and a rich experience of building many large businesses in the finance industry for over two decades. He is considered as a significant thought leader and is an influential voice in the financial circles in India. At Capital First Limited, he has provided exemplary leadership and has built a talented team of over 1,200 people, launched many new lines of businesses for future growth, grown the company by more than 650% to over ₹ 7,500 crore, raised the required funds to grow the balance sheet despite difficult monetary conditions, improved the external Credit Rating of the company and inspired great confidence among financial markets and lenders of the Company.

In view of the above significant contributions and considering the fact that his salary was not revised since August 2010, the Compensation & Nomination Committee discussed and recommended to the Board of Directors a revision in remuneration of CMD. The Board at its Meeting held on November 21, 2012 approved the said revision with effect from December 1, 2012, for the remainder of the term of office, subject to the approval of the Members, the Central Government of India, Ministry of Corporate Affairs and any other approvals, as may be required and in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956. Accordingly, the Company has modified his terms of appointment including remuneration as more specifically set out in CMD Agreement which was entered into with Mr. Vaidyanathan on November 30, 2012. The revised



## NOTICE (CONTD.)

remuneration payable to the CMD is now being placed before the Members in the 8<sup>th</sup> Annual General Meeting for their approval by way of a Special Resolution.

An abstract of the terms of revision in remuneration payable to the CMD together with the Memorandum of Concern or Interest, as required under Section 302 of the Companies Act, 1956 was sent to the Members vide circular letter dated December 6, 2012.

The following additional information as required by Section II of Part II of Schedule XIII to the Companies Act, 1956 is given below:

### I. General Information:

#### (i) Nature of Industry :

Capital First Limited is a Systemically Important Non Deposit accepting Non-Banking Finance Company (SI-ND-NBFC) engaged in retail financial services, corporate lending and wholesale credit.

#### (ii) Date or expected date of Commencement of Commercial production:

The Company was incorporated on October 18, 2005 as a Private Limited Company. Hence, Commencement Certificate was not required.

#### (iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable

#### (iv) Financial performance based on given indicators - as per audited financial results for the year ended March 31, 2013:

Particulars	₹ in Million
Turnover and Other Income	8,000.54
Net profit as per Profit & Loss Account (after tax)	697.74
Profit as computed under Section 309 (5) read with Section 198 of the Companies Act, 1956	576.33
Net worth	9,419.47

#### (v) Export performance and Net foreign exchange collaborations: Not Applicable

#### (vi) Foreign Investments or collaborators, if any : The Company has a wholly owned foreign subsidiary viz. Anchor Investment & Trading Company Limited with an investment of USD 16,987. As on March 31, 2013, the Company has Foreign Body Corporate Promoter Holding to the tune of 70.57% and

Foreign Institutional Investments to the tune of 0.90%.The Company does not have any foreign collaborators.

### II. Information about the appointee

#### (i) Background details :

Mr. V. Vaidyanathan is the Chairman and Managing Director of Capital First Limited ('Capital First'). He recently concluded India's largest Management Buyout of a listed company which is one of his most significant professional achievements. As part of this MBO, Warburg Pincus, one of the world's most reputed Private Equity players, with funds of over US\$ 40 billion in 35 countries, has acquired a majority stake (70%) in Capital First Limited, through its affiliate Cloverdell Investment Ltd.

In 2010, in order to take an entrepreneurial role, he joined Capital First from ICICI Prudential Life Insurance Company, where he was the Managing Director and CEO. From a largely wholesale financing company with assets of under USD 200 million, he changed Capital First into largely a retail lending company with loan assets over USD 1.5 billion, out of which 74% is retail assets. Since his joining Capital First, he has successfully launched a number of retail businesses including MSME financing, Gold Loans, Two Wheeler loans, Consumer Durable loans and has implemented latest cutting edge technologies and scoring solutions in the company. Within 3 years, he has built a large retail franchise of 180 branches, 1200 employees across 42 cities, and has made Capital First a leading player in lending to MSMEs. Under his leadership, the company's long term credit rating has been re-rated thrice from A+ to AA+ within 3 years.

He joined ICICI Bank in early 2000 and helped transition the then ICICI Limited from a Domestic Financial Institution (DFI) to a Universal Bank. He was responsible for launching the Retail Banking Business since its inception in 2000 and managed the retail business till 2009. He built ICICI bank into a large retail powerhouse in the country and built a loan book of USD 30 billion in Mortgages, Auto, personal loans and credit cards, and took the bank to market leadership. He also built a network of 1400 ICICI Bank branches across 800 cities, built a vast deposit base, and a franchise of 25 million customers. He also built the SME business and Rural Banking Business for the bank. His key passion is the usage of new age technology to expand organized retail lending and deposits to a vast expanse of India.

## NOTICE (CONTD.)

He was appointed as Executive Director on the Board of ICICI Bank at the age of 38. He was also the Chairman of ICICI Home Finance Co. Ltd., and served on the Board of ICICI Lombard General Insurance Company and CIBIL, India's first credit bureau. He started his career with Citibank India Consumer Banking Division in 1990 and worked at Citibank till the year 2000.

Over the years, his contribution won him many domestic and international awards including Best Retail Bank in Asia 2001, "Excellence in Retail Banking Award" 2002, Best Retail Bank in India 2003, 2004, and 2005 from the Asian Banker, "Most Innovative Bank" 2007, and was nominated "Retail Banker of the Year" by EFMA Europe for 2008 and 2009. He is an alumnus of Birla Institute of Technology and Harvard Business School. He is a regular marathoner and has run 7 marathons and 8 half marathons. He lives in Mumbai with his family of father, wife and three children.

### (ii) Past remuneration:

The shareholders of the Company had at their meeting held on August 27, 2010 approved the appointment of Mr. V. Vaidyanathan as the Vice Chairman and Managing Director of the Company for a period of 5 years (from August 10, 2010 till August 9, 2015) on an annual remuneration of ₹ 3 Crore (Rupees Three Crore only) and Performance Bonus not exceeding ₹ 50 Lac (Rupees Fifty Lac only), and on such terms and conditions as mentioned in the Agreement entered into between the Company and Mr. Vaidyanathan as on August 1, 2010.

### (iii) Job profile:

Mr. V. Vaidyanathan is the Chairman and Managing Director of Capital First Limited ('Capital First'). He has been entrusted with the responsibility of building Capital First into a large diversified Financial Institution with diversified, stable and sustainable stream of earnings. He needs to achieve the above in an intensely competitive market, where established players like a large number of banks and NBFCs are already present in these businesses. He has to launch and scale a number of retail businesses with growth potential to achieve the above. For this purpose, he needs to hire the right leadership team, management team, and develop the infrastructure for a sustainable business.

Building a financial services company can be particularly difficult in the early stages of its life. The company needs to borrow from financial participants like banks and Capital Debt Markets, and high rating by reputed Credit Rating

agencies is essential. His vast experience over two decades and strong track record with earlier organizations will be valuable in achieving the above.

### (iv) Remuneration proposed :

The Cost to Company for the CMD will be ₹ 4,00,00,000 (Rupees Four Crore Only) per annum ("CTC"). This is inclusive of perquisites, if any, and exclusive of Provident Fund, Gratuity and Leave encashment, if any and he shall also be eligible to an annual bonus of upto ₹ 2,00,00,000 (Rupees Two Crore Only) payable based upon the performance of the CMD and the Company as decided by the Board of the Company.

### (v) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the Country of his origin) :

Setting up a large and diversified financial services company requires the Managing Director to have the right strategic vision as well as proven execution capabilities. This requires the ability to choose the right business lines, starting up businesses, build scale, manage high credit quality, raise funds at attractive rates, and position the business for profitability. Setting up businesses from scratch takes special set up skills.

In these circumstances, the background of the person leading the company is critical in being able to get the support of the financial players, banks, Mutual Funds, and Provident Funds. In the case of Mr. Vaidyanathan, he comes with an excellent background, market visibility, and strong track record of setting up businesses and leading teams.

It is necessary to offer him compensation package commensurate with his profile and background to take up the challenging responsibility. Taking into consideration the size of the Company, the profile of Mr. V. Vaidyanathan, the responsibilities shouldered by him and the industry benchmarks, and more importantly the skills required at the stage of the organisation, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

### (vi) Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any :

Besides the remuneration proposed to be paid to him, Mr. V. Vaidyanathan does not have any other pecuniary

## NOTICE (CONTD.)

relationship with the Company or relationship with the managerial personnel.

### III. Other Information

#### i) Reasons of loss or inadequate profits,

The main reasons for the inadequacy of profits during financial year 2012-13, are as follows:

(a) Change of Accounting policy: During the year, the Company made a crucial change in its accounting policies to make it more conservative. Until the last year, the company recognised income from certain key lines of income like customer fees and assignment of loans on an upfront basis. During FY 13, the Company started amortizing fees on all loans, and on assignment of loans. The profits will reflect in the Profit and Loss Account of the future years, as the economic value of these transactions remain the same, only that the income is booked over the life of the loan. This will make the revenue stream of the Company more stable over the long run.

(b) Further, many of the businesses of the Company are currently in the scale up stage and the Company is currently investing in these businesses. The Company substantially scaled up operations last year in terms of hiring employees and opening branches which is part of setting up costs of any growing company. Businesses grown during the year included Consumer Durables (grown from ₹ 444 million in FY 12 to ₹ 1,821 million in FY 13), Gold Loans (grown from ₹ 2,343 million in FY 12 to ₹ 4,408 million in FY 13), Two wheeler Loans (grown from ₹ 138 million in FY 12 to ₹ 1,631 million in FY 13), Loan against Property (grown from ₹ 30,510 million in FY 12 to ₹ 46,234 million in FY 13). Scaling up of these businesses also required commensurate investment in IT, collections and credit resources. In fact, the company is confident of growing profits in a sustainable manner in the years to come based on the above investments.

#### ii) Steps taken or proposed to be taken for improvement,

(a) As mentioned above, the Company invested in many lines of businesses during the year and intends to continue investing into these, next year as well. The Company has achieved great success in scaling up these businesses, and the market has accepted our products well. As a result, most of our businesses launched have grown between 2-4 times during the year, and this trend is expected to continue next year

as well. Therefore, the Company expects operating leverage (Operating Cost as a % of Average AUM) to significantly improve over the quarters because of the scaling up of retail lending businesses, particularly, Mortgages, Two wheelers, Consumer Durables, Gold loans, and SME Loans. This will result in increased profitability in the years to come.

(b) The key businesses being invested are essentially retail. Retail requires hiring employees, building brand, building branches, network, and investing in IT systems and infrastructure. The Company is confident that the results are already showing and the financial performance of the company will improve over the years. The businesses being built as described above, since they are essentially retail in nature, are more sustainable, predictable and substantial in the years to come.

#### iii) Expected increase in productivity and profits in measurable terms etc.,

The Company has already grown from AUM of ₹ 1,000 crore in FY 2010, to over ₹ 7,500 crore in FY 13. This is expected to grow to AUM of ₹ 10,000 crore by FY 2014.

In parallel, the cost of funds of the company have continuously come down from 14.5% in 2010 to 10.6% in 2013, reflecting the strong confidence of the markets in the Company, its strong business model, and the leadership of the company. The Company has diversified its borrowing base from 2 banks in 2010, to over 14 in 2013, again reflecting the confidence of the markets.

With reduced cost of funds, increased AUM, and a talented team of employees, the company is expecting to improve productivity by over 40% this year, on top of increase of productivity of 80% in FY 13. This will reflect in improved profits in FY 15 and beyond. The profits in FY 14 is expected to be marginally higher than FY 13, as the investments in businesses continue, but the quality and stability of earnings will be substantially improved during FY 14.

### IV. Disclosures

The information and disclosures of the remuneration package of the managerial personnel have been mentioned in the Annual report in the Corporate Governance Report Section under the heading "Remuneration Policy".

The Directors recommend the passing of this resolution at Item No. 9 as a Special Resolution, for approval of Members.

None of the Directors other than Mr. Vaidyanathan are, in any way, concerned or interested in the resolution.

## NOTICE (CONTD.)

### ITEM NO. 10

With a view to further augmenting the Company's resources for its ongoing business activities, to meet its growth objectives, increase financial needs, working capital requirements, and other requirements, the Company proposes to raise funds.

The Special Resolution contained in the Notice at Item No. 10 relates to a proposal by the Company for raising of funds / resources in Indian Rupees or equivalent thereof in any Foreign Currency in one or more tranches to the tune of ₹ 300 Crore (Rupees Three Hundred Crore only) through various Domestic/ International options, including QIP/ ECBs with conversion into shares / FCCBs/ ADRs/ GDRs/ FPO/ OCPS/CCPS etc., pursuant to Section 81(1A) of the Companies Act, 1956.

Accordingly, the Resolution at item No.10 seeks to empower the Board to issue Equity Shares/Securities through various domestic/International options including QIP/ECB with rights of conversion into shares/ FCCBs/ ADRs/ GDRs/ FPO/ Optionally or Compulsorily Convertible Preference Shares (OCPS/CCPS) etc.

The Board may in its discretion adopt any mechanism in order to facilitate and meet its objectives as stated in aforesaid paragraphs.

The said resolution is an enabling resolution conferring authority to the Board to do all acts and deeds, which may be required to issue/offer Equity Shares/Securities of appropriate nature at appropriate time, including the size, structure, price and timing of the issue(s) /offer(s) at the appropriate time(s). The detailed terms and conditions for the domestic/international offerings will be determined in consultation with the Lead Managers, Merchant Bankers, Global Business Coordinators, Book Runners, Guarantors, Consultants, Advisors, Underwriters and/ or such other intermediaries such as Custodians, Depositories, Escrow Bankers, Lawyers, Registrars, Trustees, Professionals as may be appointed for the issue/offer. Wherever necessary and applicable, the pricing of the issue/offer will be finalised in accordance with applicable guidelines in force.

Accordingly, the consent of the members is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the Stock Exchanges, authorizing the Board to issue Equity Shares/Securities, as stated in the Resolution, which may result in issuance of further Securities of the Company to persons other than the existing members of the Company in accordance with the terms and nature of the Equity Shares/Securities.

The Directors recommend the passing of this resolution at Item No. 10 as a Special Resolution, for approval of Members.

None of the Directors are, in any way, concerned or interested in the resolution.

### ITEM NO. 11 & 12

Your Company has formulated various Employee Stock Option Schemes viz. CFL – ESOS 2007, CFL – ESOS 2008, CFL – ESOS 2009, CFL – ESOS 2011 and CFL – ESOS 2012 (**Collectively “ESOS Schemes”**)

Employee stock options are powerful tools which help foster employee motivation. Having a highly motivated team is one of the key essentials for superior performance. Keeping in mind the spirit of the scheme and the interest of the employees it is proposed to increase the exercise period which will in turn give the employees/directors time to exercise their already vested/ to be vested options thereby retaining the talent in long run. Therefore, it is proposed to modify the exercise period in all existing ESOS Schemes to “5 years from the date of vesting or ten years from the Grant Date whichever is later”. The period for exercise of options granted in existing ESOS and modified period for exercise of options are described in the table below:

Sr. No.	Name of the Scheme	Exercise period of options in existing ESOS Schemes	Exercise period of options after modification in all existing ESOS Schemes.
1.	CFL – ESOS 2007	After 3 <sup>rd</sup> anniversary of the date of grant of options to the option holder but prior to such date as may be specified by the remuneration committee.	5 years from the date of vesting or ten years from the Grant Date whichever is later.
2.	CFL – ESOS 2008	Within 4 years from the date of vesting.	5 years from the date of vesting or ten years from the Grant Date whichever is later.
3.	CFL – ESOS 2009	Within 4 years from the date of Vesting	5 years from the date of vesting or ten years from the Grant Date whichever is later.

## NOTICE (CONTD.)

Sr. No.	Name of the Scheme	Exercise period of options in existing ESOS Schemes	Exercise period of options after modification in all existing ESOS Schemes.
4.	CFL – ESOS 2011	Within 4 years from the date of Vesting	5 years from the date of vesting or ten years from the Grant Date whichever is later.
5.	CFL – ESOS 2012	Within 4 years from the date of Vesting	5 years from the date of vesting or ten years from the Grant Date whichever is later.

As per the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, any amendment to the ESOS scheme requires the approval of the shareholders. Accordingly,

the Special Resolutions as set out under Item No. 11 & 12 of the notice is submitted for the approval of the members.

None of the directors of the Company are in any way, concerned or interested in the resolution.

**By Order of the Board of Directors**

**Satish Gaikwad**  
Company Secretary

Place : Mumbai  
Date : May 27, 2013

**Registered Office:**

Indiabulls Finance Centre, Tower-2, 15<sup>th</sup> Floor,  
Senapati Bapat Marg, Elphinstone (West),  
Mumbai - 400 013.

## GREEN INITIATIVE

### REGARDING SERVICE OF DOCUMENTS TO SHAREHOLDERS BY E-MAIL

The Ministry of Corporate Affairs, New Delhi (“MCA”) has taken a “Green Initiative” in the Corporate Governance by permitting paperless compliances by companies (vide its Circular No. 17/2011 dated April 21, 2011 and Circular No.18/2011 dated April 29, 2011) and clarified that the service of documents by a company can be made through electronic mode instead of sending the physical copy of the document(s).

Keeping in view the underlying theme and the circulars issued by MCA, henceforth we propose to send all communications/documents including the Notice calling the Annual General Meeting, Audited Financial Statements, Directors Report, Auditors Report, etc. via electronic mode. In connection with the same, we request you to provide your latest/updated email address on which future communication/correspondence/documents can be send to you.

We are sure that you would welcome the Go Green Initiative taken by the MCA and your company’s desire to participate in the same. Investors desirous to receive the aforesaid documents in electronic form, may send their request to the Company for the same by sending an email at [capfirstgogreen@linkintime.co.in](mailto:capfirstgogreen@linkintime.co.in). Alternatively you may write to the Registrar & Transfer Agent of the Company. You may, however, change your instructions at any time and request us to send you the documents in the physical form only. The documents that we propose e-mailing you will also be available for ready access on our website [www.capfirst.com](http://www.capfirst.com)

We trust, as a responsible citizen, you will join us in our initiative to conserve our environment through the curtailment of consumption of paper.

# CAPITAL FIRST LIMITED

**REGISTERED OFFICE:** Indiabulls Finance Centre, Tower-2, 15<sup>th</sup> Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai - 400 013.

## ATTENDANCE SLIP

I hereby record my presence at the EIGHTH ANNUAL GENERAL MEETING of CAPITAL FIRST LIMITED to be held at the Mini Theatre, 3rd Floor, P.L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025 on Thursday, August 22, 2013, at 3:00 p.m.

Full Name of the Member / Representative / Proxy : .....

Registered Folio No.:	and / or	DP ID No. / Client ID No.:
No. of Shares held:		No. of Shares held:

SIGNATURE OF THE SHAREHOLDER OR PROXY OR REPRESENTATIVE ATTENDING THE MEETING

If Shareholder / Representative, please sign here	If Proxy, please sign here

- NOTE:** 1. Members attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.  
2. Members attending the Meeting are requested to bring their copies of the Annual Report with them.

# CAPITAL FIRST LIMITED

**REGISTERED OFFICE:** Indiabulls Finance Centre, Tower-2, 15<sup>th</sup> Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai - 400 013.

## PROXY FORM

I/We ..... of ..... being a Member/  
Members of CAPITAL FIRST LIMITED hereby appoint Mr./Mrs. .... of  
..... or failing him, ..... of .....  
as my/our proxy to vote for me/us and on my/our behalf at the EIGHTH ANNUAL GENERAL MEETING of CAPITAL FIRST LIMITED to be held at the Mini Theatre, 3rd Floor, P.L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025 on Thursday, August 22, 2013, at 3:00 p.m.

Signed this ..... day of ....., 2013

Affix  
revenue  
stamp

Signature across Revenue Stamp

Registered Folio No.:	and / or	DP ID No. / Client ID No.:
No. of Shares held:		No. of Shares held:

- NOTE:** 1. This form of proxy duly completed, stamped and signed should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the Meeting.  
2. A Proxy need not be a Member.





**2012-13**  
**A LANDMARK  
YEAR AT  
CAPITAL FIRST**

**BUILDING ON A STRONG FOUNDATION**

ANNUAL REPORT **2012-13**

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INTRODUCING  
WARBURG PINCUS

# OUR VISION

**TO BE A LEADING FINANCIAL  
SERVICES PROVIDER, ADMIRER  
AND RESPECTED FOR ETHICS,  
VALUES AND CORPORATE  
GOVERNANCE**

# LANDMARKS THAT SHAPED PROGRESS

Landmark events have the ability to make a positive impact on lives of people, economies and history of countries. Their significance is scarcely understood at the time of occurrence, but they become a point of inflection when seen in time.



## ECONOMIC LIBERALISATION - 1991

Through a historic step towards economic reforms, India broke the wall of sluggish and protected economy by opening up the Indian market for foreign investments, cutting trade tariffs and devaluing the rupee which placed India on the fast growth track.



## BERLIN WALL

While for the thousands who had gathered at both sides of the Berlin Wall, breaking the wall was an act of unification, it became a symbol of the end of the Cold War.



## RESURGENT EUROPE

While for the world, it was an economic union, for those in the European Union, it was an opportunity to create a resurgent Europe that could influence global trade and enable Europeans to seamlessly move and work across the countries of the Union.



## INTERNET AGE

While for the professors at University of California, Los Angeles, the ARPANET was a means to send message packets from one computer to another, to the world it heralded the dawn of the Internet age.



## END OF COMMUNISM

While for the world it was a transition in leadership in Soviet Union, the election of Mikhail Gorbachev heralded the end of Communism and the rise of Russia.



There are certain events in our world, history and business that take on a significance of a different magnitude in time. These advances then go to become huge leaps in technology, politics, or business. They effectively change the times and modes of working for ever.

**AT CAPITAL FIRST, WE EXPERIENCED ONE SUCH LANDMARK MOMENT, WHEN REPUTED PRIVATE EQUITY MAJOR WARBURG PINCUS ENTRUSTED THEIR FAITH IN THE MANAGEMENT AND BECAME MAJORITY STAKEHOLDERS OF THE COMPANY.**

**IT SIGNIFIES THE JOINING OF TWO STREAMS OF FINANCIAL ACUMEN, INDIAN ENTREPRENEURSHIP AND GLOBAL CAPITAL. IT IS AN EVENT THAT WILL LEAD TO THE SIGNIFICANT STRENGTHENING OF THE COMPANY AND WILL POSITIVELY CHANGE THE COURSE OF THE COMPANY.**

**ONE LANDMARK,  
MANY MANIFESTATIONS.**

# BOARD OF DIRECTORS



## **M S SUNDARA RAJAN**

*Independent Director  
Former Chairman & MD, Indian Bank*

He is a Post Graduate in Economics from University of Madras with specialisation in Mathematical Economics, National Income and Social Accounting. He is also a Certified Associate of Indian Institute of Bankers and Associate Member of Institute of Company Secretaries of India. He has a total experience of over 38 years in the Banking Industry.

## **V VAIDYANATHAN**

*Chairman and Managing Director*

He recently concluded India's largest management buyout with Warburg Pincus, which is one of his most significant professional achievements. He was earlier the Managing Director & CEO of ICICI Prudential Life Insurance Ltd. and Executive Director of ICICI Bank Ltd. He has received a number of international awards for his achievements in banking in India. He is an alumnus of Birla Institute of Technology and Harvard Business School. He has 23 years of experience in financial sector.

## **N C SINGHAL**

*Independent Director  
Former VC & MD, SCICI Ltd.  
(since merged with ICICI Ltd.)*

He holds postgraduate qualifications in Economics, Statistics and Administration and was awarded the United Nations Development Programme Fellowship for advanced studies in the field of project formulation and evaluation, in Moscow and St. Petersburg. He has 53 years of experience in Corporate sector.



**ANIL SINGHVI**

*Independent Director  
Chairman, ICAN  
Investments Advisors Pvt. Ltd.  
Former MD & CEO, Ambuja  
Cements Ltd.*

A Chartered Accountant, he played a defining role in the growth of Ambuja Cements through organic and inorganic strategies. He has over 30 years of experience in Corporate sector out of which 22 years was with Ambuja Cements Ltd.



**HEMANG RAJA**

*Independent Director  
Former MD & CEO, IL&FS  
Investmart Ltd.*

He is an MBA from Abeline Christian University, Texas, with a major emphasis on finance. He has also done an Advanced Management Program (AMP) from Oxford University, UK. He has a vast experience of over 33 years in financial services.



**VISHAL MAHADEVIA**

*Non-Executive Director  
MD & Co-Head, Warburg Pincus  
India Private Ltd.*

He is a B.S. in Economics with a concentration in finance and a B.S. in Electrical Engineering from the University of Pennsylvania. He has 19 years of experience in Corporate sector across the globe.

*Detailed profile of Directors are provided on Page 46*

# CHAIRMAN'S ADDRESS

## DEAR STAKEHOLDERS,

I am pleased to share with you the Annual Report of your Company for the year 2012-13. This is the first Annual Report after the Company has been rebranded as Capital First Limited.

The GDP growth rate for the Indian economy was subdued due to global and domestic factors over the last couple of years. During the second part of the fiscal year 12-13, the government took some concrete steps to address the economy, and the RBI responded by easing the monetary policy to support growth. Notwithstanding the economic cycles, India continues to be well placed structurally for long-term growth supported by growing aspirations, a burgeoning middle class, favourable demographics, growing entrepreneurship, and an approach to free markets.

While matters pertaining to economy were rather generic for all companies, your Company in particular faced immense challenges last year. The fiscal year started with uncertainty about the ownership of the Company, as the news of Future Group wanting to exit their stake was doing the rounds. The press was routinely speculating about whom discussions were going on with, and what the stages of discussions were (Refer to page 10 & 11). Ours is a financial services Company, and even a single story in the nature of change of ownership in the media was enough to disturb the funding cycle and the Company's operations. Your Company had to deal with such reports repeatedly through this period, often many times during a month.

Since funding is the raw material of our business, your Company needed the confidence of our lenders for retaining and enhancing fresh borrowing lines, even as these reports appeared. Your Company needed the confidence of the rating agencies. We also needed the support of the regulators who were concerned about such reports. In addition, the Company needed the confidence of the existing employees to avoid attrition and to attract new talent who were apprehensive about the uncertainty.

Meanwhile, we were indeed talking to multiple potential investors during this period, and convincing them about the business opportunity. We couldn't confirm or deny developments to the media, as these were yet at discussion stage with potential partners. In the midst of all this, we issued clarifications, and made every effort for truthful and material disclosures. During this phase, your Company continuously engaged with these stakeholders through TV and press interviews despite the situation being nebulous. This was a complex and challenging period for the Company.

In June 2012, Warburg Pincus, a reputed global private equity major with US\$ 40

“I am grateful to the banks, employees, regulators, credit rating agencies, customers and shareholders who stood by us during this uncertain period ”

“I am thankful to the entire team of Morgan Stanley for their hard work, tenacity, and excellent contribution in successfully concluding the transaction ”



Billion Assets Under Management announced their decision to acquire majority stake in the Company, followed by an open offer and an infusion of primary equity capital of ₹ 1.00 billion through its affiliate Cloverdell Investment Ltd.

The challenges did not end with the announcement of the deal. Post announcement, many regulatory approvals were yet required to execute the transaction. The transaction required approval from FIPB, clearance from SEBI for the Open Offer, NOC from the RBI, approval from RBI's Forex division, clearance from Stock Exchanges and approval from the Forward Markets Commission. Further, we needed NOC from all our existing banks for the transaction. These approvals were needed to be done in parallel, often with dependencies on each other, within tight timeframes. I am immensely grateful to each one of the institutions mentioned above, for their understanding and timely approvals. The last leg of the transaction was finally concluded on December 4, 2012.

Despite these circumstances, the loan assets for your Company grew by 21% to touch ₹ 75.09 billion in FY13.

I am grateful to every bank and financial institution who stood by us during this uncertain period. I express my sincere thanks to every employee who were assiduously working to build the Company during this phase. I am grateful to the rating agencies who spent their valuable time in understanding our cash flow management and our business model, and for reaffirming their faith in us during this period. I am grateful to the regulator for retaining supporting us during this phase. I am grateful to the media for their unbiased reporting of the matter.

I am grateful to the Future Group for handling the matter with great grace and sensitivity, and thank them for their confidence and support during this period.

I am equally grateful to Warburg Pincus for their confidence in our Company, for backing the management, and for believing in the Company's vision to become an admired retail financial services organisation.

I am thankful to the entire team of Morgan Stanley for their hard work, tenacity, and excellent contribution in successfully concluding the transaction.

In terms of strategy, your Company stayed steadfast on the approach of building businesses that provide adequate margins and security. The main line of business for your Company continues to be providing secured loans to MSME players for their

“ I am grateful to the Future Group for handling the matter with great grace and sensitivity, and thank them for their confidence and support during this period ”

“ The main line of business continues to be providing secured loans to MSME players for their working capital needs ”

working capital needs. Your Company has built sound competencies in studying cash flows of SMEs, which is a relatively difficult area to specialise in India. The Company has successfully established a machinery to evaluate the credit needs for SMEs in a personalised manner. This business constitutes 83% of the total retail portfolio of the Company.

Further, the businesses we are building are those which provide ample opportunity to differentiate by using sophisticated technology, advanced scoring and decision sciences, as compared to plain vanilla financing businesses. For example, Consumer Durable and Two-Wheeler financing businesses are relatively more complex as the ticket size of loans is low and tenor is short and requires relationship with thousands of dealerships, and lacs of customers across remote geographies. These businesses can only be built on a sustainable basis using sophisticated tools like the ones described above, and by using predictive capabilities for customer cross sell, automated collection systems and a robust CRM platform. Further, these businesses are not worth the time and effort for large banks, as they form only a tiny proportion of their loan book, even after a full scale roll out. Hence this offers an attractive niche for your Company.

Retail businesses have relatively higher operating and distribution costs initially, but once established, provide for sustainable and significant profits over the years. Your Company is yet at a stage of investing in these businesses.

I am happy to share that through the year FY13, your Company continued to grow its Loan Assets under Management while focussing on the asset quality. Your Company continued its focus on building retail assets, which now contributes 74% of the assets, compared to 56% in the previous year. During the year, the Consumer Durables business has grown from ₹ 444 mn in FY12 to ₹ 1,821 mn in FY13. The Gold Loans business grew from ₹ 2,343 mn in FY12 to ₹ 4,408 mn in FY13. I am happy to inform that the Two-Wheeler Loans has grown from ₹ 138 mn to ₹ 1,631 mn in FY13. The SME mortgages business has grown from ₹ 30,510 mn to ₹ 46,234 mn in FY13.

The profit after tax came down by 40% this year to ₹ 631 mn. I would like to specifically address the reason for the same. During the year, your Company changed the accounting policy and made it more conservative. Your Company decided to amortise securitisation income and fee income received from customers over the life of the loan, and this amortised income will reflect in the P & L in the future years. Since the same was recognised upfront in the previous years, the year-on-year Profits are not comparable.

“Your Company started amortising securitisation income and fees received from customers over the life of the loan, which will reflect in the P & L in the future years”

“The financial markets rewarded your Company with attractive and competitive rates, based on the excellent business operations of the Company”

In addition, your Company is currently in a scale-up stage and is investing in new lines of businesses described above and incurred setting up costs which are part of any growing company. Scaling up of these businesses also required commensurate investment in IT, collections and credit resources. In fact, on achieving critical scale, the Company is confident of growing profits in a sustainable manner in the years to come based on the above investments. Our Gross NPA and Net NPA remained low at 0.11% and 0.01%, which is favourable compared to general financial industry standards.

In spite of high interest rates and tight liquidity conditions through the year, your Company successfully diversified its borrowing profile, and raised funds through NCDs, Term Loans, Perpetual Debt and Subordinated Debt. We are happy to inform that the financial markets rewarded your Company with attractive and competitive rates, based on the excellent business operations of the Company.

You will be delighted to note that the long-term credit rating of your Company has been upgraded two notches to AA+ based on conservative asset-liability management, high asset quality, strong credit processes, robust operations framework, experienced management team and strong promoters. I am also happy to inform you that the capital adequacy of your Company has increased to 23.53% in FY13, up from 18.63% in FY12.

During the year, we also strengthened our Internal Control Systems, our lending practices, enhanced our Risk Management Practices, and invested in IT systems to improve our efficiencies and to build the platform for further growth. We further invested in our Human Capital, and emphasised on a culture of performance to achieve sustainability in our business. Your Company looks forward to steady growth in the future with a continued focus on its retail lending portfolio.

I sincerely thank each one of our Directors for their invaluable guidance, wisdom and encouragement particularly during the trying times of the last year, which has been critical for the success of the Company. I sincerely thank the former Directors for their immense value and support, and welcome on board the new Directors who come with excellent reputation and experience.

I sincerely thank you all for your continuous encouragement, support and trust.

With Best Wishes  
**V Vaidyanathan**

“The long-term credit rating of your Company has been upgraded two notches to AA+ ”

“The capital adequacy of your Company has increased to 23.53% in FY13, up from 18.63% in FY12 ”

## CONTEXT

# UNCONFIRMED REPORTS OF STAKE SALE APPEAR FROM TIME TO TIME

*Bloomberg, July 31, 2011 -  
www.bloomberg.com*

### Blackstone, Carlyle Vying to Buy Future Capital Stake, BS Says

By V Ramakrishnan - Jul 31, 2011 9:10 AM GMT+0530

Blackstone Group LP (BX), Carlyle Group, Carlyle Group, Apax Partners LLP and Texas Pacific Group are vying to buy a 61.06 percent stake in India's Future Capital Holdings, a unit of Pantaloon Retail India Ltd. (PF), the Business Standard newspaper reported, citing unidentified people close to the development. The stake may cost as much as 10 billion rupees (\$226 million), the report said.

*Mint, Mumbai, August 30, 2011.*

### 'JPMorgan, KKR in talks to buy Future Capital'

'JPMorgan, KKR in talks to buy Future Capital'

Mumbai: Future Group is in talks with a clutch of potential buyers including JPMorgan and Kohlberg Kravis Roberts and Company to sell its financial services arm, Future Capital Holdings, three sources with direct knowledge of the matter told Reuters.

The group, which has hired Morgan Stanley to run the sale process, is also in talks with the business conglomerate Piramal group, said the sources, who declined to be named as they were not authorized to speak to the media... **Contd.**



*Financial Express, Mumbai, Nov 14, 2011.*

### Blackstone, Bain on FCH shortlist

SOHINI MITTER, SHRUTI AMBAVAT : MUMBAI, NOV 14 2011

Future Capital Holdings (FCH), the financial services arm of the Kishore Biyani-owned Future Group, has zeroed in on two global private equity funds —Blackstone Advisors and Bain Capital - to sell a part of its stake, to pare down debt in its parent company, Pantaloon Retail India. "We have stated discussions with Blackstone and Bain to raise funds," said a person with direct knowledge of the matter. The person couldn't be quoted as the deal is in the works. "We are looking at different options on how much stake should be sold and whether to one or two funds."

FCH has appointed investment bank Morgan Stanley to sell the stake and audit and consulting firm KPMG India is conducting due diligence for one of the buyers. FE could not ascertain which private equity fund has appointed KPMG.

Blackstone Advisors India's CMD Akhil Gupta refused to comment on the transaction. Blackstone manages \$37 billion funds globally. Bain Capital's MD Amit Chandra said, "As a policy, we neither confirm nor deny any speculation on transactions." The fund manages \$66 billion fund across the globe. A senior KPMG official declined to comment as he is directly involved in the deal.

The stake sale coincides with a big increase in FCH's Q2 profit to Rs 28 crore (nearly four times of the year-ago figure) and wiping out of its NPAs by accessing cheaper funds and giving more mortgage loans.

Biyani, under pressure to pare down the Rs 4,400-crore debt in his... **Contd.**

# CONTEXT

## UNCONFIRMED REPORTS OF STAKE SALE APPEAR FROM TIME TO TIME

Economic Times, Hyderabad, April 4, 2012.

# PE Firm CX Partners in Talks to Buy Future Capital Holdings

### CX is also looking at the possibility of making a joint bid with Baring PE

SABARNATHAN MUMBAI

**C**X Partners, the private equity fund promoted by former Citigroup executive Ajay Belan, is in preliminary negotiations to acquire a controlling stake in the Kishore Biyani-controlled non-banking finance company Future Capital Holdings (FCH). The New Delhi-based PE firm recently held discussions with the top management of Future Capital and will

NBFC to raise cash and cut the group's debt, which has touched ₹1,800 crore.

On the other hand, CX Partners is flush with cash after raising \$515 million in April 2010 from investors. The Ajay Belan-led company had already invested half of the corpus in growing mid-cap companies.

Last week, it picked up a 40% stake in Bangalore-based medical textile manufacturer Sutures India for ₹200 crore. Ajay Belan, a consummate deal maker, also nurses the ambition of starting an NBFC and had tried to do a deal with a former partner but without success.

Future Capital's vice-chairman and managing director V Vaidyanathan declined to comment and Belan did not reply to a set of questions sent by



Ajay Belan-led co has already invested in growing mid-cap companies

of 1.5-1.4 times may be more realistic, feel experts. Future Capital was started by Kishore Biyani and former Goldman Sachs executive Samir Sain. Sain later parted ways to start the private equity company Eyestone Capital, forcing Kishore Biyani to bring V Vaidyanathan to steer the fortunes of FCH in August 2010.

Vaidyanathan consolidated operations and led the firm into mortgages and gold loans while exiting activities like personal loans. Though Deccan Chronicle Holdings had struck a deal to acquire the Future group company Pastation for 6600-700 crore, the Hyderabad-based buyer could not raise the cash to complete the transaction.

Future Capital posted a net profit of ₹79 crore and net sales of ₹514 crore on

Economic Times, Ahmedabad, May 11, 2012.

# ફ્યુચર કેપિટલને ખરીદવામાં USની વોરબર્ગ પિન્કસ આગળ

આ સંબંધે અમેરિકન કોર્પોરેશન વોરબર્ગ પિન્કસ (WPI) અને ફ્યુચર કેપિટલ હોલ્ડિંગ્સ (FCH) વચ્ચેની વેચાણ વ્યવસ્થા વિશેની વિગતો આજે અહીં પ્રકાશમાં આવી છે. અમેરિકન કોર્પોરેશન વોરબર્ગ પિન્કસ (WPI) અને ફ્યુચર કેપિટલ હોલ્ડિંગ્સ (FCH) વચ્ચેની વેચાણ વ્યવસ્થા વિશેની વિગતો આજે અહીં પ્રકાશમાં આવી છે. અમેરિકન કોર્પોરેશન વોરબર્ગ પિન્કસ (WPI) અને ફ્યુચર કેપિટલ હોલ્ડિંગ્સ (FCH) વચ્ચેની વેચાણ વ્યવસ્થા વિશેની વિગતો આજે અહીં પ્રકાશમાં આવી છે.

Economic Times, New Delhi, July 10, 2012.

## ફ્યુચર કેપિટલ કો FDI કી મંજૂરી નહીં

ફ્યુચર કેપિટલ કો FDI કી મંજૂરી નહીં. આ સંબંધે અમેરિકન કોર્પોરેશન વોરબર્ગ પિન્કસ (WPI) અને ફ્યુચર કેપિટલ હોલ્ડિંગ્સ (FCH) વચ્ચેની વેચાણ વ્યવસ્થા વિશેની વિગતો આજે અહીં પ્રકાશમાં આવી છે.

26%

## CONTEXT

# DURING THIS PERIOD, THERE WAS ALSO GENERAL UNCERTAINTY IN THE ECONOMY



1) Forbes - Jan 6, 2012, Forbes - Feb 11, 2012, 2) Businessworld - Oct 8, 2012, 3) Forbes - Feb 11, 2012, 4) Business India - Jan 22, 2012, 5) Business Today - Jul 8, 2012, 6) Outlook Business - Mar 31, 2012, 7) Business India - Aug 19, 2012, 8) Businessworld - Oct 1, 2012, 9) Forbes - Mar 25, 2012

**IT IS IN THIS CONTEXT THAT  
THE COMPANY MADE A NEW  
BEGINNING**

**WARBURG PINCUS** PLACED THEIR FAITH IN THE LONG-TERM POTENTIAL OF THE INDIAN ECONOMY, DRIVEN BY STRONG FUNDAMENTALS WHICH INCLUDES FAVOURABLE DEMOGRAPHICS, GROWING CONSUMPTION, AND EXPANDING ENTREPRENEURSHIP.

WARBURG PINCUS, WITH OVER **US\$ 40 BILLION** IN ASSETS UNDER MANAGEMENT ACQUIRED **70%** STAKE IN THE COMPANY THROUGH ITS AFFILIATE, CLOVERDELL INVESTMENT LTD, INCLUDING OPEN OFFER AND INFUSION OF PRIMARY CAPITAL.



**“ WE FOUND A STRONG MANAGEMENT TEAM WITH A TERRIFIC TRACK RECORD, AND THUS CHOSE TO PARTNER WITH THEM DURING THE COMPANY’S NEXT PHASE OF GROWTH.**

**SOME OF WARBURG PINCUS’ PAST SUCCESSFUL INVESTMENTS IN INDIA INCLUDE HDFC, KOTAK MAHINDRA BANK, GUJARAT AMBUJA, AND BHARTI AIRTEL.**

**WE WOULD LIKE TO SUPPORT THE COMPANY IN ITS ENDEAVOUR TO BECOME ONE OF INDIA’S RESPECTED FINANCIAL SERVICES COMPANY, AND PARTICULARLY LIKE THE DIRECTION THE COMPANY IS TAKING TO BECOME A PREMIER RETAIL FINANCING ORGANISATION.”**

**Vishal Mahadevia**

*Managing Director and  
Co-Head, Warburg Pincus India Pvt. Ltd.*

# PRESS REPORTS POST ANNOUNCEMENT OF THE DEAL

Economic Times, June 12, 2012.

NON-BANKING FINANCE CO VALUED AT ₹1,050 CRORE

## Warburg to Buy 70% in Future Cap

PE co to pay ₹162 a share for 66% open offer, capital infusion to take total cost to ₹800 cr

### BSB BUSINESS

U.S. private-equity giant Warburg Pincus has agreed to buy a controlling stake in financial services firm Future Capital Holdings for about ₹800 crore. The move is part of its strategy to tap opportunities in India's capital-starved micro, small and medium-enterprise sector. Warburg will pay ₹300 a share to buy 66% stake, valuing the non-banking finance company at ₹1,050 crore. In addition, Warburg will infuse ₹100 crore worth of fresh equity, taking the total investment to ₹700 crore. Future Capital Holdings is currently part of the Kishore Biyani-led Future Group. The deal involves a three-way transaction, including a primary issue of preference shares. Warburg will buy 40% from Future Micro Retail and Pension Retail, both part of the Future Group, which will be left with the residual 22% stake. Warburg will then make an offer for the 30% stake if the offer fails to get Warburg shares equivalent to 30%. Future Group will make up for the shortfall by selling part of its stake. "The ₹80 billion Future Cap will significantly reduce ₹100 crore in Future Capital by allowing it to consolidate more title pro-

cess shares, helping the NBFC ramp-up operations. After the three-way transaction process, Warburg will hold 70% stake in Future Capital. FCIH plans to focus on mortgage loans directly in SMEs and two-wheeler financing. "What we can bring as Warburg Pincus is patient capital," said Vishal Mahadeva, managing director, Warburg Pincus. V. Vaidyanathan, vice chairman and MD of FCIH, will be elected as chairman and managing director. Warburg will have two representatives on the board, including its managing director Vishal Mahadeva. The deal also involved a lock-in clause under which Vaidyanathan will remain in the role for up to five years. Although Warburg joined the race for FCIH two months ago, it quickly completed the deal as it was satisfied with the process crucial for NBFCs to succeed. "It's a deal of serendipity. I was seated next to the board member in a Delhi-Mumbai flight. That's when we started talking. We managed to complete everything in two weeks," said Vaidyanathan. The deal will add one more NBFC to Warburg's portfolio of a state where the sector is being regulated by new rules imposed by a concerned regulator, the Reserve Bank of India. In March, Warburg bought a stake in AU Financial, a Rajasthan-based NBFC. In-

dia has 12 million MSMEs that need capital invested in a growing economy. The deal will probably mark the successful end to Future Group chairman Kishore Biyani's efforts to separate Pension Retail from a mix of high-risk and poor cashflows. Investors had criticised Biyani for focusing on Pension Retail as the core retail business. The group has been trying to find a partner to focus the focus on one of its other businesses, and though there were offers for Future Capital last year, the deal and involving Pension Retail's business was sealed a month ago. In May, Pension Retail agreed to transfer its approved Indian business to a joint venture with the Aditya Birla Group. "This transaction is in line with our stated intention to exit lower non-core businesses of Pension Retail and is aimed at deleveraging and further strengthening the balance sheet of the company," Biyani said. However, along with the new Goldman Sachs executive Sumesh Jain, set up Future Capital to tap to capitalise on the surge in consumer demand. Some later pointed ways to the entrepreneur Capital.

Circle 143  
Growth Prospects: Lure PE Firms to NBFCs 143

### The New Future

- MORTGAGES DIRECTLY GIVEN TO SMEs
- TWO-WHEELER FINANCING
- DURABLE FINANCING • GOLD LOANS
- MEDIUM ENTERPRISES
- OTHER BUSINESSES



**How the Deal is Done**

- Warburg will buy 40% from Future
- WB make open offer for 26%
- Fresh shares of ₹100 cr to be infused
- Post transaction, Warburg to hold 70% stake

## We Believe in Backing a Strong Team, Management: Warburg MD

Co will grow at 30% a year with 80-90% focus on MSMEs, says Future Cap MD Vaidyanathan

**ET** Vaidyanathan, one of the first private equity firms to have come to India in 1994, is bullish on the country's NBFC sector and has bought majority stake in two NBFCs - Future Capital Holdings and AU Financial - in the last two months. Warburg, known to be associated with companies like Starbuck's, HDFC and Kotak Mahindra Bank, sees India as an important investment destination despite its ups and downs. In an interview to **ET** India and Subir Kishore M. Warburg Pincus MD Vishal Mahadeva and Future Capital vice chairman and MD V. Vaidyanathan talk about their plans and expectations from the deal. Excerpt:

**This is your second consecutive investment in the NBFC space after AU Financial. Why are you bullish on this sector despite RBI's clampdown?**

**Vaidyanathan:** AU Financial and Future Capital are different companies. We had invested in NBFC, Kotak Mahindra Bank and Max India. There is need for credit in MSME segment. This raises long-term investment. The RBI acknowledges the importance of the sector. MSME is under-credit starved India. There are 12 million MSMEs and they need capital by understanding their cash flows.

An opportunity to back the best in management team to address under-served section of the market attracted us to Future Capital. We

will have a strongly capitalised company that can create financial services.

**You have recently exited from Kotak Mahindra Bank and bought substantial stake in two NBFCs. What is the strategy?**

**Mahadeva:** We are not exiting banks and getting into NBFC. We had 10% stake in Kotak Mahindra Bank and we invested many years ago. Banks continue to be attractive in India, but it is appropriate to exit from a company at a time when the next round of institution needs to come on. We had 10% in NBFC as well, while in Star's and Max India we had more than 20%. We are not a hedge fund or a public market investor. But we look at companies from the long-term perspective. In the last few years, we have invested \$700 million in companies. We continue to feel India is important even as it goes through ups and downs.

**WB you look at more investment in the NBFC sector?**

**Mahadeva:** We believe in backing a strong team and management with system and control. There are multiple models, but it is all about backing the team and the people. Future Capital is a great opportunity.

**What kind of returns do you expect from this investment?**

**Mahadeva:** Future Capital has a strong team, a fully green company. In another 5-10 years, we are looking to build the company. It is offering an alternative company and private equity. We

would like to make premium on stock market return. If the stock market is expected to give 15% return, private equity would expect 500-1000 basis points above the market.

**Warburg was not in the race a couple of months back. How did this deal happen?**

**Vaidyanathan:** There were discussions with other private equity players. Warburg came very late and once they got in, it wasn't difficult. They were very methodical and quick. The deal came through by an accident.

**Where would you like to take this company three years from now?**

**Vaidyanathan:** We would probably grow at 30% per annum on this base. We would like to directly lend around 40-50% to MSMEs. About 40% will be mortgages, 10% in two-wheeler, 10% in durable loans and 30% in gold loans and 20% in medium-sized enterprises needing capital. Like firms in manufacturing and real estate space. Even though more capital is available, we will stick to these areas.

**Will you continue using Future's outlets to tap customers?**

**Vaidyanathan:** We have a long-term commitment of 22 years for branches in stores of all formats of the Future Group. We get access to millions of customers through retail chain and it is a unique platform for us. We are using a variety of durable finance from the stores, but also offer other financial products.



**We believe in backing a strong team and management with system and control. There are multiple models, but it is all about backing the team and the people. Future Capital is a vast opportunity.**

**VISHAL MAHADEVA**  
MD, Warburg Pincus



**There were discussions with other private equity players. Warburg came very late and once they got in, it wasn't difficult. They were very methodical and quick. The deal came through by an accident.**

**V. VAIDYANATHAN**  
VC & MD, Future Capital



## Inward sale

The management buyout of NBFC Capital First is the largest in India

Vaidyanathan: the most significant development for our company

It took a little over three months of negotiations for private equity firm Warburg Pincus to pick up a 70 per cent stake in financial services company Capital First (it was earlier known as Future Capital Holdings). It is the largest management buyout of a listed financial services company in India. "By far the most significant development for our company till date," says V. Vaidyanathan, the firm's chairman and managing director.

The deal is a typical management buyout, an uncommon deal-making structure in India. In a classical management buyout, the promoter's stake is acquired by the managers of the company. If the managers do not have enough funds to make the acquisition, they borrow or engage a private equity fund. Once the private equity firm is convinced of the business model, it expects the managers to offer a long-term commitment.

Investors at times also demand that the managers bring funds to the table along with them. Between promoter and manager, the deal works both ways. In some deals in the UK, promoters have even supported buyouts because at times it can be tough to sell a stake without the managers' commitment. Management buyouts, in all cases, require promoter consent

and encouragement.

Promoter Pantaloon Retail's sale of stake in Capital First had been on the cards for over a year. Kishore Biyani's flagship company Pantaloon Retail, which runs malls and supermarkets, needed capital to service debt and fuel growth. But the NBFC, a subsidiary, had large capital needs of its own, making it non-strategic to the firm.

Vaidyanathan's chance meeting with Warburg Pincus turned into a game changer for the NBFC. The banker to the deal was Morgan Stanley, but it was brought to the table per se by Vaidyanathan, who held a 9 per cent stake in the company.

For Warburg Pincus, owning a majority stake in a consumer-financing business in India makes sense. Its earlier successful investments in India include HDFC, Kotak Mahindra Bank, Bharti Airtel and Gujarat Ambuja. While Capital First's share price has almost doubled over the past year, it is still

much lower than its peak of 2008.

As for Capital First's business model, it had already started to change. When Vaidyanathan took charge of the firm in 2010, the business was largely wholesale, with a loan book size of ₹1,000 crore and non-performing assets at 5 per cent. Today, the book is 68 per cent retail, loan assets under management have crossed ₹6,000 crore and non-performing assets are down to 0.04 per cent. The branch network has crossed 202 in number, and the firm has 1,272 employees in 40 cities across India.

### Changing structure

So, through a Mauritius-based fund WP XI that has capital of \$5.2 billion and a residual life of about 12 years, Warburg invested \$150 million into Capital First (about ₹825 crore). As part of the deal, Vaidyanathan locked in part of his stake for five years. Now elevated to chairman and managing director of the company, he has also locked in his term for five years.

Today, the structure of Capital First is changing. In retail, it has diversified into several businesses to

improve stability in performance. It provides mortgage for SME businesses, for instance, backed by security. Of every 100 applications it receives, only 29 get through. Most rejections happen due to either insufficient cash flow of the existing business or defective title deeds.

Till March 2012, the firm's net profit was up 115 per cent to ₹105.8 crore. But profits are likely to see a dip in 2012-13, due to a change in accounting policy. Instead of charging a one-time fee for every loan disbursement, Capital First plans to amortise fees over the loan's term period. While

this will lead to a short-term impact on profitability, in the longer term it could provide a buffer against changing credit cycles.

The deal is a typical management buyout, the promoter's stake is acquired by the managers of the company. If the managers do not have enough funds to make the acquisition, they borrow or engage a private equity fund

• DEEN WASEEM KHORRAMDEL

# PRESS REPORTS POST ANNOUNCEMENT OF THE DEAL

Business Today, July 8, 2012

## FINANCE

### How to Do a Management Buyout at 30,000 Feet

V. Vaidyanathan takes wing with a \$17 million stake in a star NBFC. by CHAITANYA KALRA

**T**he next time you are flying somewhere, do not bury your nose in a book or plug in your earplugs. Take a good look around. And if you happen to be sitting next to Vembu Vaidyanathan, a wiry, fast-talking man with a thick moustache, do not forget to ask for some tips on how to strike up a life-changing conversation. Vaidyanathan, or Vaidy to his friends, has had two of those conversations in airplanes in the past two years. In April 2010, he met Kishore Blyani on a flight to Hyderabad. The retail tycoon made Vaidyanathan a dream offer — a 10 per cent stake to come in and run Future Capital Holdings (FCH), his troubled non-banking finance company (NBFC).

It took Blyani three months to persuade Vaidy to step away from ICICI Prudential, where he had spent barely a year as managing director and CEO in the C-suite shakedown that took place after K.V. Kamath handed over leadership at ICICI Bank to Chanda Kochhar. At 42, Vaidy already had a decade at Citibank and a decade at ICICI under his belt and was considered a star among India's bankers; he had won particular praise for building ICICI's retail, rural and SME businesses and he was the youngest member on ICICI's board. Vaidy said he would have never joined Blyani for a salary. "I was already in a top job at ICICI," he told Business Today during a series of conversations.

He was stepping into a bomb crater. Blyani had launched FCH in 2007 with Sameer Sain, an old friend and Goldman Sachs banker. But then the global financial crisis struck in 2008, the markets were in turmoil, and Blyani's plans to combine FCH with his retail empire, offering credit at high interest rates, just would not work. Sain wanted to build FCH's investment banking and private-equity capabilities. The two men had an acrimonious parting. "We went through two

crises," Blyani said enigmatically. "A lot of plans got changed. We wanted to work on the credit business at that time, but some of us did not want to take that risk."

After he took over, Vaidyanathan went about assembling a top-notch management team. Apul Nayyar, who runs FCH's retail financial services, had India Indulise, DSP Merrill Lynch and Citigroup in his pedigree. Shailesh Shirsalkar, who heads FCH's wholesale business, came from DSP Merrill Lynch and before that Rabo India Finance and KFC.

On August 10, 2010, when Vaidyanathan took over as Vice Chairman and Managing Director, the Future Capital Holdings stock was trading at ₹291.20. On its first day of trading, February 1, 2008, FCH closed at ₹908.20. Its IPO price was ₹765. The following Monday it closed at ₹1,030.05 and its market capitalisation stood at ₹6,513 crore. It seemed untoppable, but it never made that level again. FCH's market cap had plunged to ₹1,871 crore when Vaidyanathan took charge.

Ten months later, FCH was on an even keel. Its loan book was starting to move from an over-dependence on the wholesale business. Retail loans rose from 19 per cent in 2009/10 to 42 per cent in 2011/12. Mortgage loans account now for close to 80 per cent of its retail portfolio. But Blyani, whose Future Group was groaning under total debt of about ₹8,000 crore, had decided to shed his non-core businesses — and Future Capital was a rich lede waiting to be mined. Vaidyanathan began to look around for a buyer.

Which brings us to March 7 this year, when Vaidyanathan was on an evening flight from Delhi to Mumbai. "It had been a tiring day and I was slumped in my seat," he said. "I found myself next to somebody and we got chatting." His fellow passenger was Narendra Ostwal, a principal with Warburg Pincus. "After we landed we got in touch with each other and things started moving."

On June 4, Blyani's Pantaloons Retail India Ltd announced that Warburg Pincus, the respected US private-equity firm, would acquire a controlling stake in Future Capital, whose market value at that point was ₹1,050 crore. Warburg is taking 40 per cent at ₹162 a share, or a total of ₹420 crore, and will make an open offer for a further 26 per cent at ₹273 crore. Any shortfall will be sold to Warburg by Pantaloons Retail. In the third stage, the company will issue ₹100 crore of fresh capital to Warburg in the form of Compulsorily Convertible Debenture shares. Future Capital's market capitalisation had dropped to ₹991.42 crore on June 14, when its shares closed at ₹153.

**"The concept of a professional taking a stake in a company at its early stage and building it from there is a fantastic route for an upcoming professional"**

V. Vaidyanathan, MD, Future Capital Holdings

Business Today, July 8, 2012.

**FINANCE**

**THEN AND NOW**

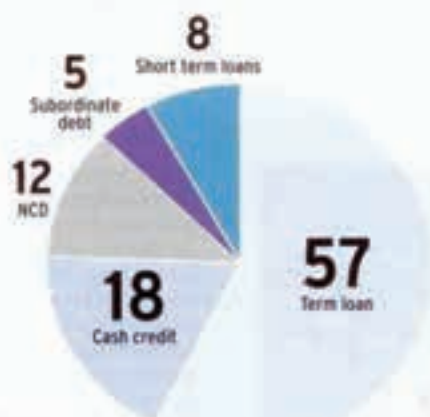
Change in Future Group Holdings' sources of funding over the past year

As on March 31, 2011



Figures in %  
Source: Future Capital Holdings

As on March 31, 2012



and Punj Lloyd Group, pride themselves on being long-view partners. FCI today is a far cry from 2010 when Vaidyanathan took over. Its loan book rose to ₹46,704 crore at March 31 this year from ₹28,548 crore a year earlier. Operating

profit rose to ₹1,741 crore in 2011/12 from ₹964 crore a year earlier. Return on equity rose to 13.41 per cent from 6.66 per cent.

"Given the expertise in the (finance) sector that Warburg had, we were in a position to move very quickly. We already understood the space, understood what Vaidy was trying to build, and so we moved forward with a great degree of conviction," said Vishal Mahadevia, Managing Director at Warburg Pincus India Pvt Ltd.

Despite the current difficulties in India's economy, Mahadevia said Warburg looked at broader opportunities. "Credit growth will continue to be there for a long period of time. Secondly the market for financial services is still highly under-penetrated in India, particularly for retail and SME financing."

All this, plus a strong regulator, plays into why Warburg invested in Future Capital. "It's all about the team, the system, the infrastructure, the platform that has been built. Vaidy has really spent the past two years or so building that platform. In our mind he is really somebody who has tremendous experience in this retail and MSME lending space, from his days at CBI to ICICI to Future Capital. So we are really backing Vaidy and his team. Now it's really up to him to take this forward." Warburg is a "patient investor" with a strategic position on the board, but day-to-day management is left to the current team. ♦

Warburg Pincus announced that Vaidyanathan would stay on as head of the company. Company officials said Vaidyanathan would become the chairman; he is currently Vice Chairman and Managing Director. His personal stake stood at nine per cent after dilutions – worth about ₹95 crore. It was a dream come true. "I wake up at four in the morning and think about how wonderful things worked out," Vaidyanathan said. His research on the Internet showed he had just figured in India's largest management buyout of a listed finance company.

"The concept of a professional taking a stake in a company at its early stage and building it from there is a fantastic route for an upcoming professional. Things are still unfolding and a few years from now will tell the full story," Vaidyanathan said.

Kishore Biyani said in the beginning Future Capital planned to do a lot of its business through his retail outlets. "There were a lot of ideas actually," Biyani said. "There were a lot of South American retailers especially in Brazil and Mexico who virtually run banks. Credit can fuel consumption. It was a lot of things in the making, a lot of opportunities came up, a lot of other things happened." Biyani says he is pleased with the Warburg deal. "I think it is in good hands. Vaidy is a great person. He is very involved."

Future Capital's sale was another instalment in Biyani's headlong rush to slash his group debt. Just over five weeks earlier, Biyani had sold a controlling stake in his flagship Pantalooms stores to Aditya Birla Nuvo Ltd.

Warburg Pincus, who are currently invested in 17 Indian companies including Diligent Power, Gangavaram Port, Havells, Kotak Mahindra, Moser Baer

Send your comments to [editor.bt@intoday.com](mailto:editor.bt@intoday.com)

# INTRODUCING WARBURG PINCUS

Warburg Pincus is a leading global private equity firm focussed on growth investing. The firm has more than US\$ 40 billion in assets under management. The firm's active portfolio of more than 125 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 13 private equity funds which have invested more than US\$ 45 billion in over 675 companies in more than 35 countries.

The firm's strategy combines deep industry expertise and local market experience; the flexibility to support all stages of Company development; a long-term investment horizon; and fully aligned interests among their portfolio Company management, limited partners and general partners. Partnering with superior management teams, Warburg Pincus helps companies formulate strategy, conceptualise and implement suitable financing structures and recruit talented executives.

The firm takes a long-term perspective and invest in businesses at all stages of development, from founding start-ups and fostering growth in developing companies to leading complex recapitalisations or large-scale buyouts of more mature businesses. This approach also applies to the firm's expectations of accountability, ethical business conduct and a sense of responsibility for the local communities in which they operate.

The firm is headquartered in New York with offices in Amsterdam, Beijing, Frankfurt, Hong Kong, London, Luxembourg, Mumbai, Port Louis, San Francisco, São Paulo and Shanghai.

Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 13 private equity funds which have invested more than US\$ 45 billion in over 675 companies in more than 35 countries

# DEVELOPING A NEW CORPORATE IDENTITY

## 5 SHORTLISTED LOGOS



From a myriad list of logo options, 5 logos were initially shortlisted. This shortlisting was done on the basis of aesthetics as well as how faithfully they embodied our dynamism, uniqueness and positivity.

We deliberated on the shortlisted logos and eliminated some as they were not distinct and resembled few existing logos of some of the other globally reputed companies. There were set of other logos which did not make the cut as they were not distinct and could easily be intimidated.

We finally chose the one which it believed is the most evocative design representation of the brand name. At an overall level, the logo captures the feel of an innovative, responsible and global brand that brings to life the very essence of 'Capital First'

## BRAND COLOUR

Today, Capital First is not just a brand. It is also an extension of our thoughts and beliefs. At another level, it's a celebration of a new beginning. And no other colour captures the sheer spirit of this moment better than Red. Red holds a specific significance in Indian culture. It's also a colour of life. A colour of positivity and prosperity, Festivities and celebration. Red symbolises the effervescence

of our enthusiasm, the width of our ambition. The chosen colour is also distinct and stands out in a clutter.

## BRAND FONT - BEBAS

Another important element of our new identity is the unique and bold font 'Bebas'. With its clean lines and neutral character reflects our ideology: focussed strong and performance oriented. Its ability to be classic and modern, at the same time, makes it a perfect fit for Capital First. The simplicity and freshness of the font also reflects our willingness to embrace new thinking and new technology.

## ADVANTAGEOUS LOCATION

Located just where a growing business needs to be, in the heart of Mumbai.

Flanked by an iconic architecture amidst settings that are truly international, our new headquarters offers a broad playing ground for our business to flourish.

This could be best exemplified by the goals we have set for ourselves, and the steps we take to achieve them. While our new office perfectly complements our desires to achieve greater heights, it also serves as an inspiration to go the extra mile and well make a difference.





**TEAM DELIBERATING OPTIONS FOR THE NEW BRAND IDENTITY**

## CORPORATE OFFICE AT INDIABULLS FINANCE CENTRE, MUMBAI



# CAPITAL FIRST - THE COMPANY WITH A SOLID FOUNDATION



INCREASED ITS RETAIL ASSET AS A PERCENTAGE OF OVERALL PORTFOLIO HAS INCREASED

- FROM 10% IN FY10
- TO 28% IN FY11
- TO 56% IN FY12
- TO 74% IN FY13

**₹75.09 BILLION**

LOAN ASSETS UNDER MANAGEMENT OF ₹ 75.09 BILLION IN FY13.

CAPITAL FIRST LTD. (NSE SYMBOL CAPF) IS AN NBFC WITH RECORD OF CONSISTENT GROWTH & PROFITABILITY.



**NET NPA 0.01%**

HIGH ASSET QUALITY.  
GROSS NPA = 0.11%  
NET NPA = 0.01%  
(IN FY13).



THE CAPITAL ADEQUACY IS 23.53% IN FY13 AFTER PAYMENT OF DIVIDEND OF 18% FOR FY13.



FOCUSSES & SPECIALISES IN PROVIDING MSME AND RETAIL FINANCING BUSINESSES.

# MORTGAGE LOANS TO SMEs

■ Mortgages to SMEs, also commonly referred to as Loan Against Property in India, is the main line of business for the Company (₹ 46.23 Billion as of Mar 2013) and contributes 83% of the retail assets.

■ Under this product, the Company provides long-term secured loans to SMEs, self-employed individuals and professionals against collateral of Residential or Commercial property.

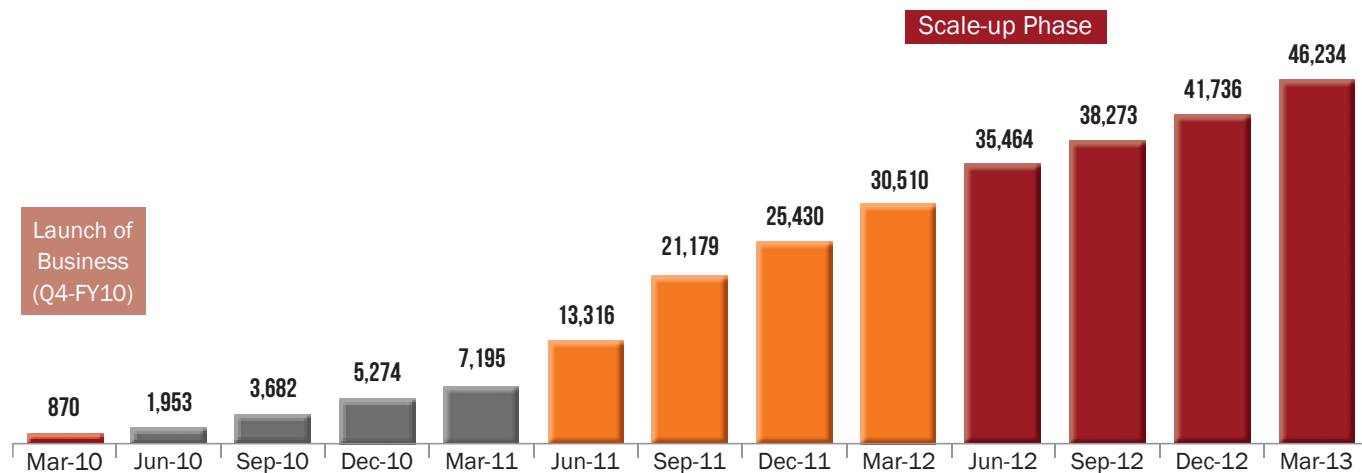
■ SME Financing is a large and growing opportunity in India's growing economy. The SME segment is largely underserved in India, and hence shortfall of financing presents a significant business potential.

■ Loan Against Property (LAP) is a well established product in the Indian Financial Market for over 25 years, and largely catered to by Private Sector Banks and Foreign Banks. Typically, the Loan To Value (LTV) offered to customers by the market is in the range of 60%-65%.

■ These are monthly amortising products with no moratorium for Interest or Principal repayment. The actuarial tenor of the loans is usually between 4 - 5 years. SMEs usually prepay these facilities before time based on their cash accruals.



## SME Mortgage Loans AUM growth (₹ mn)



# PRESENTING LOAN AGAINST PROPERTY



**YOUR PROPERTY CAN BE  
THE PASSPORT TO YOUR DREAMS.**

# GOLD LOANS

■ The Company provides Loans against Gold Jewellery to customers. Customers avail Gold Loans for various personal uses like medical emergency, down payment for home purchase or renovation of their home. Often, traders and small businesses avail gold loans to finance short-term business requirements.

■ The Company provides Gold Loans through its extensive network of branches across 22 tier-1 and tier-2 cities in 10 states. Since inception in January 2011, Capital First has grown the Loan against Gold Jewellery business with the help of proactive reach to customers through local marketing, strong valuation processes, quick turnaround and efficient customer services.

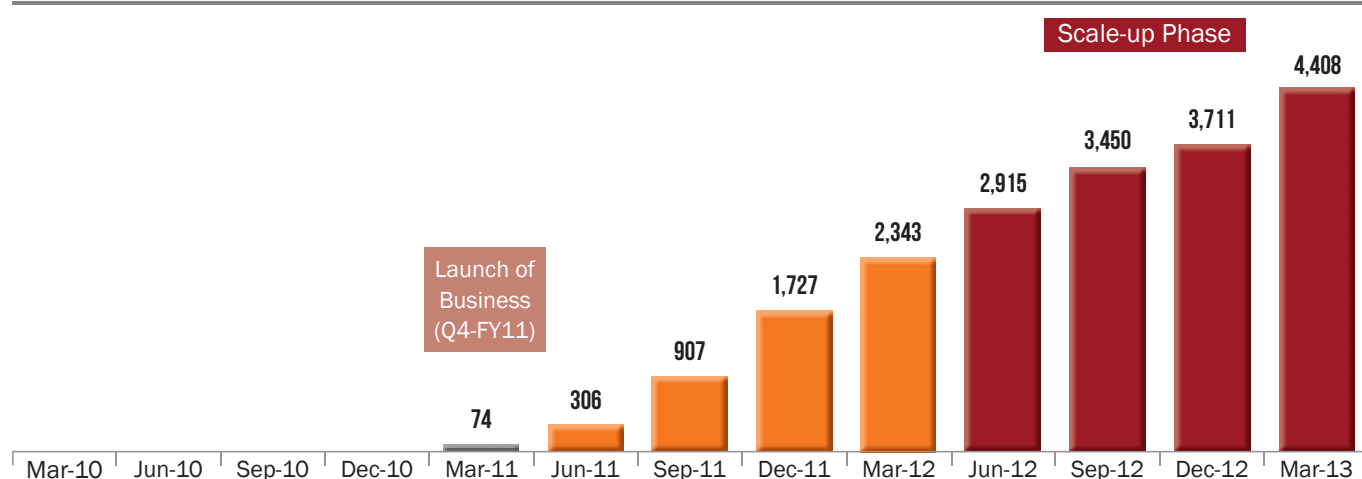
■ The loan size is usually ₹ 1,00,000 to ₹ 1,20,000. The Loan to Value is 60% on the value of the jewellery. The tenor offered to customers is between 3 months and 12 months.

■ Since inception in January 2011, the Company has grown the Gold Loan book steadily and reached an AUM of ₹ 4.41 billion by Mar 2013.

■ Global gold prices came down in April 3rd week (2013) and we immediately reviewed the portfolio for any related risk. Our portfolio is quite comfortable as our significant part of the portfolio is under the new RBI guidelines of 60% LTV.



## Gold Loans AUM growth (₹ mn)



# SEPARATE QUEUES, RESERVED SEATS AND **SPECIAL PRIVILEGES ON GOLD LOANS.**

WELL, IT'S GREAT BEING A WOMAN!

Capital First Presents  
Special Offers On Gold Loans,  
Only For Women



# TWO-WHEELER LOANS

■ Capital First provides financing for Two-Wheelers through easy EMIs to self employed customers like small traders, suppliers, shop keepers with good credit profiles, and to salaried employees, usually taking up their first job in the organised sector.

■ From a distribution point of view, this is a highly fragmented market. The loans are originated through an extensive network of Two-Wheeler Dealers. Since inception in October 2011, Capital First has grown the Two-Wheeler financing business with the help of extensive reach, robust credit processes, quick turn-around and efficient customer services.

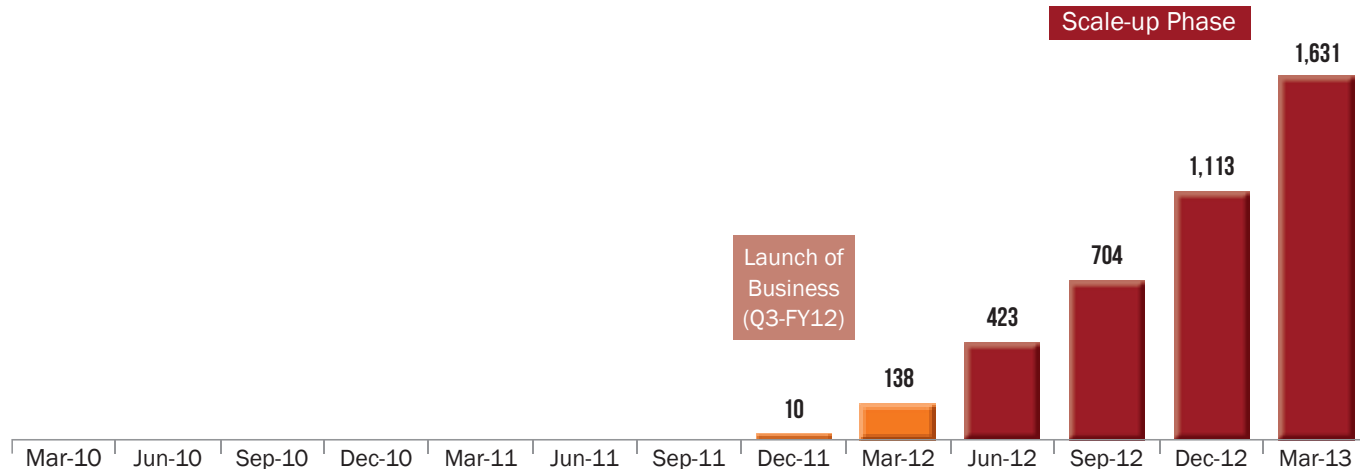
■ Two-Wheeler loans are relatively small ticket size loans of about ₹ 30,000 - ₹ 40,000. The Door to Door tenure for the loan is around 2 years. The Two-Wheeler Loan assets are ₹ 1.63 billion as of Mar 2013.

■ The Two-Wheeler business is relatively more complex, as the ticket size of loans is low, and the tenor is short (average actuarial tenor is 1 year), and requires relationship with hundreds of dealerships across remote geographies leading to high operating and distribution costs. The company is building the scale that is necessary to be profitable and sustainable in business.

■ The portfolio quality of the Company's Two-Wheeler Financing is high because of strong underwriting standards, access to Credit Bureau (CIBIL), and a strong & automated collections infrastructure.



## Two-Wheeler Loans AUM growth (₹ mn)







# OWN YOUR DREAM BIKE ON EASY EMIs.

\* Conditions apply.

**TWO-WHEELER  
LOANS**

SMS TW to **5667725**  
Toll Free No.: **1800 209 9900**

# CONSUMER DURABLE LOANS

■ Capital First provides financing for consumer electronic goods like LED, LCD TVs, Washing Machine, Laptops, Furniture through easy EMIs to salaried and self employed customers.

■ From a distribution point of view, this is a highly fragmented market. Since inception in 2010, Capital First has tied up with all leading Consumer Durable manufacturers and has grown the business with the help of extensive reach, robust credit processes, quick turn-around and efficient customer services.

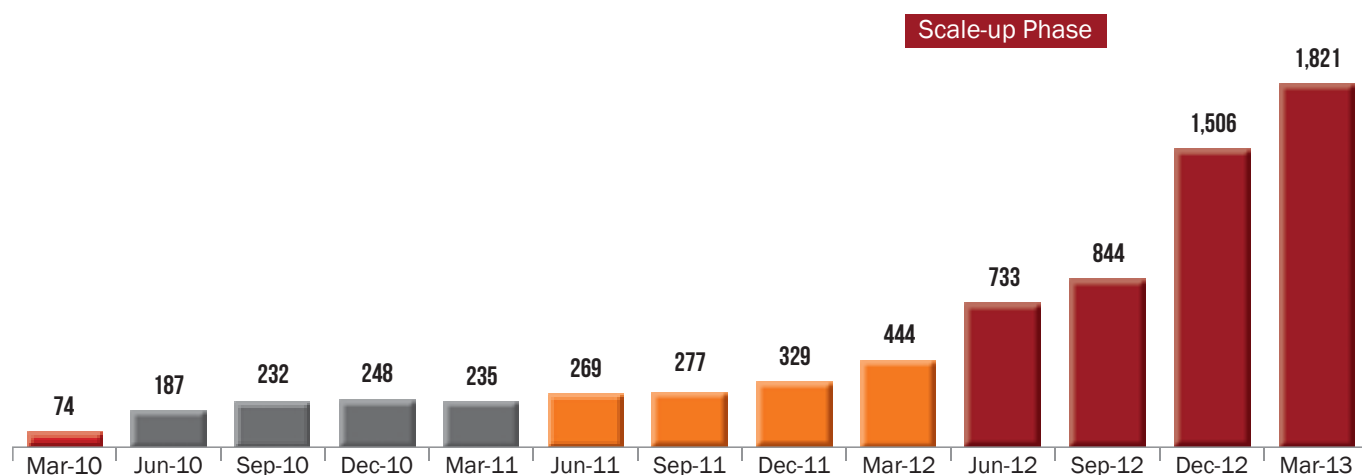
■ The Average ticket size is between ₹ 15,000 to ₹ 20,000. The loan book of Consumer Durable financing has grown to ₹ 1.82 billion by Mar 2013.

■ On receipt of application from the customer, the Company checks the application with the Credit Bureau (Bureau Score), and evaluates the application using the Application Score (AS) in parallel. The decision is conveyed to the customer and dealership within 3 minutes.

■ Like in the case of Two-Wheelers, this business is relatively more complex, as the ticket size of loans is low, and the tenor is short (average actuarial tenor is 4 months), and requires relationship with thousands of dealerships across remote geographies leading to high operating and distribution costs. The company is building the scale that is necessary to be profitable and sustainable in business.



## Consumer Durable Loans AUM growth (₹ mn)



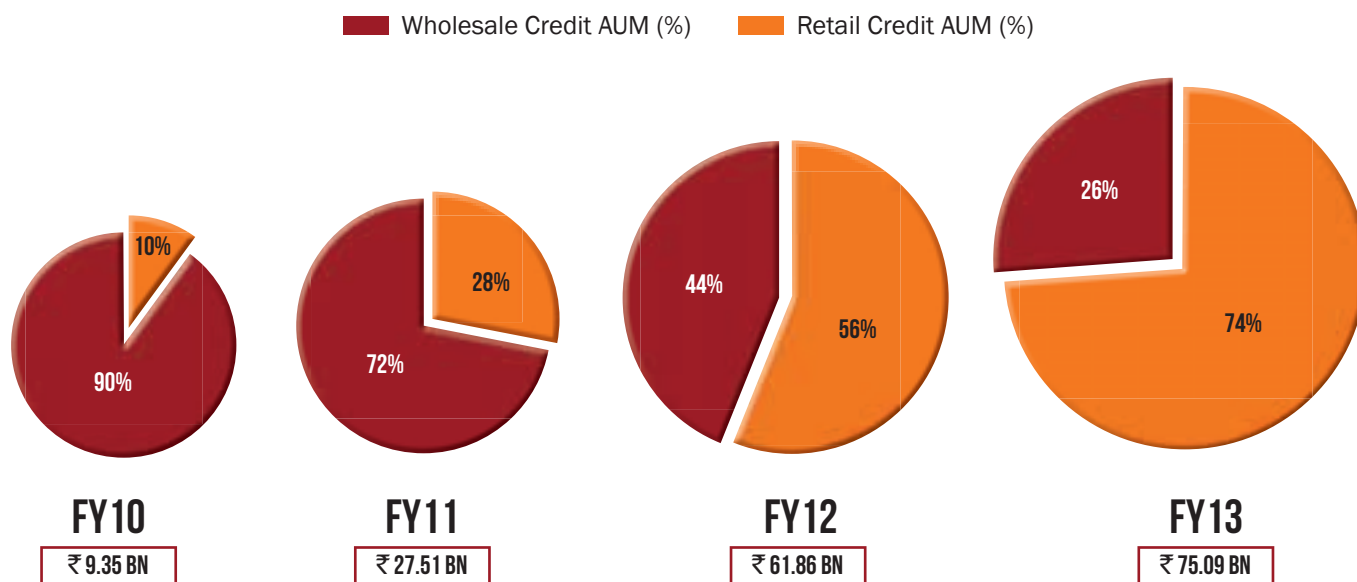


**OWN ANYTHING**  
**BUY ANYTHING ON EMIS.**

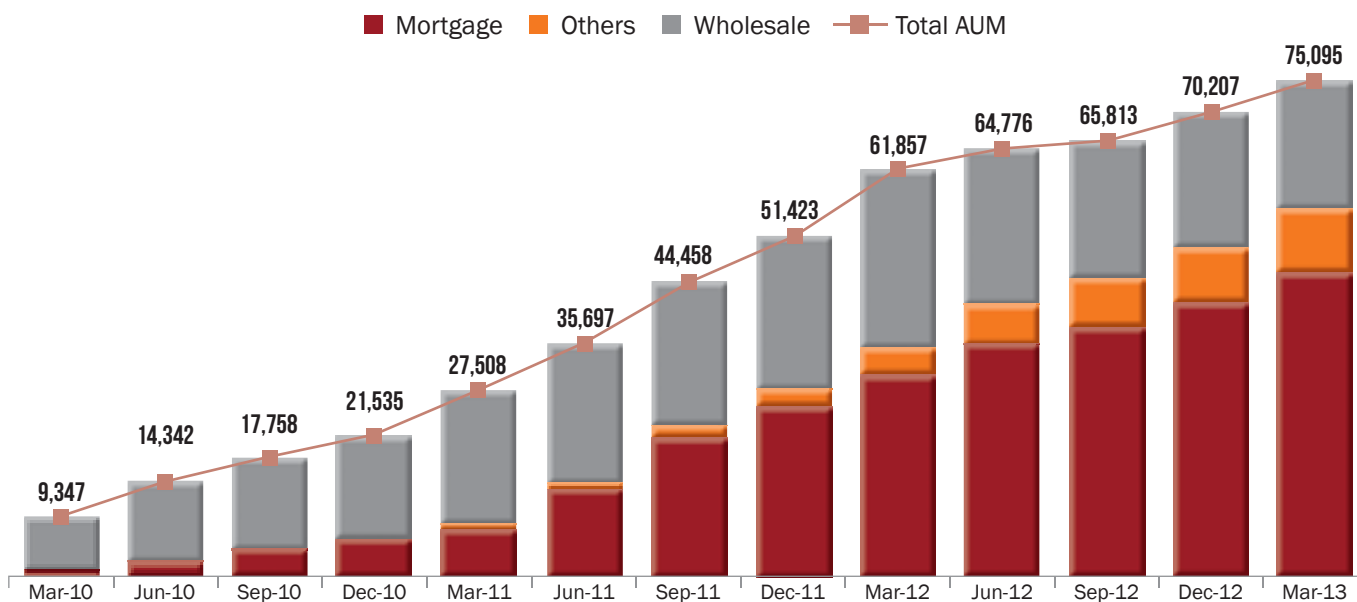
\* Conditions apply.

# KEY TRENDS

## Increasing Share of Retail Assets

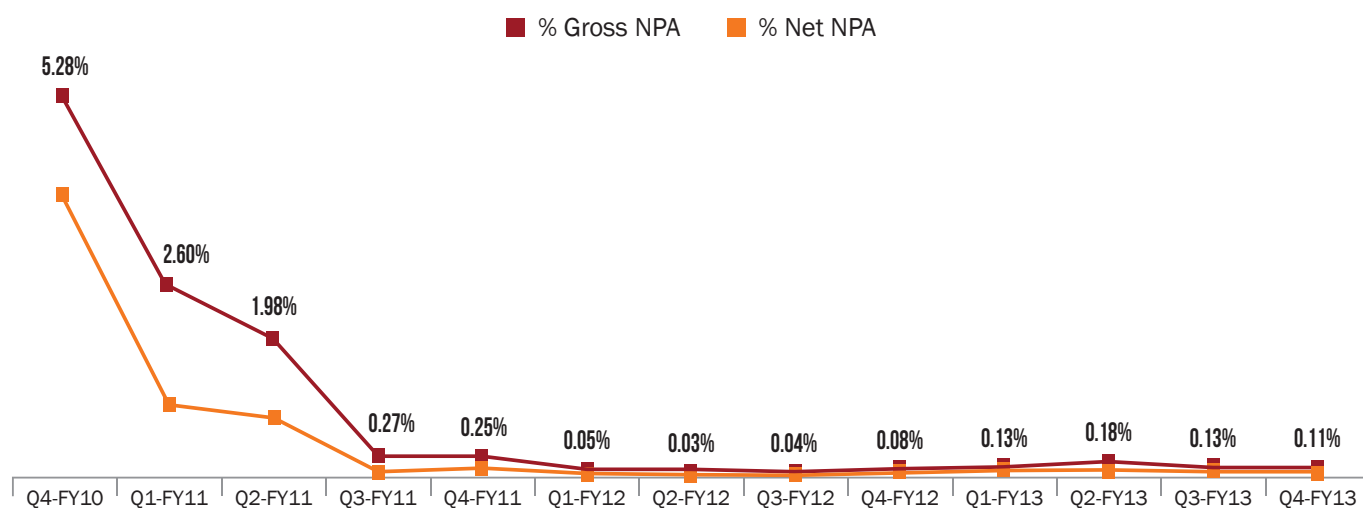


## Total AUM growth (₹ mn)



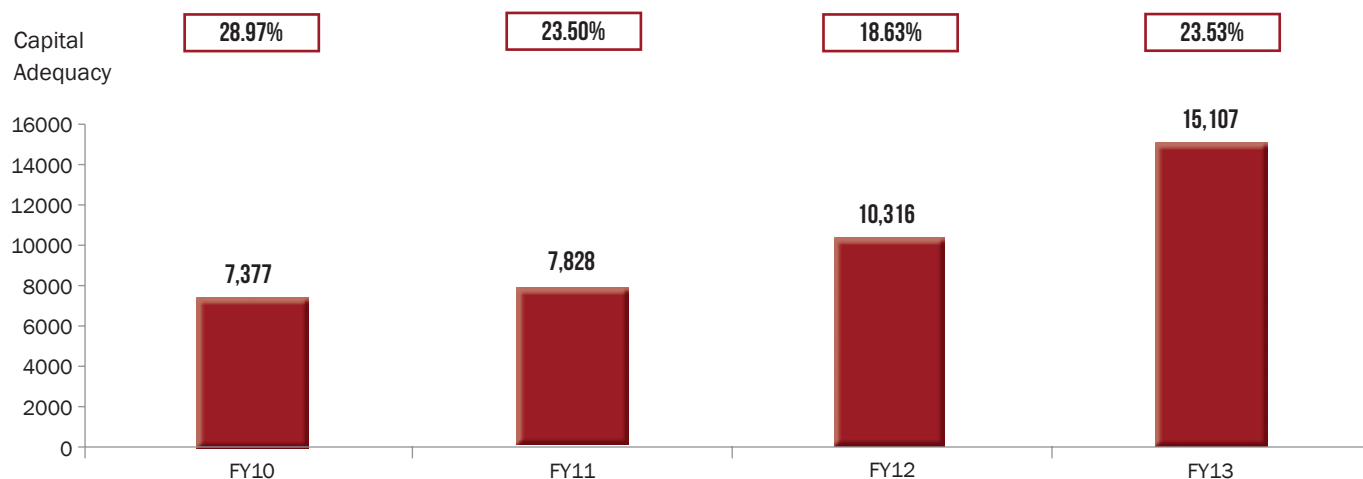
# KEY TRENDS

## NPA (%)



The Company has maintained high asset quality over time; The current Gross and Net NPA levels compare well among financial players in India

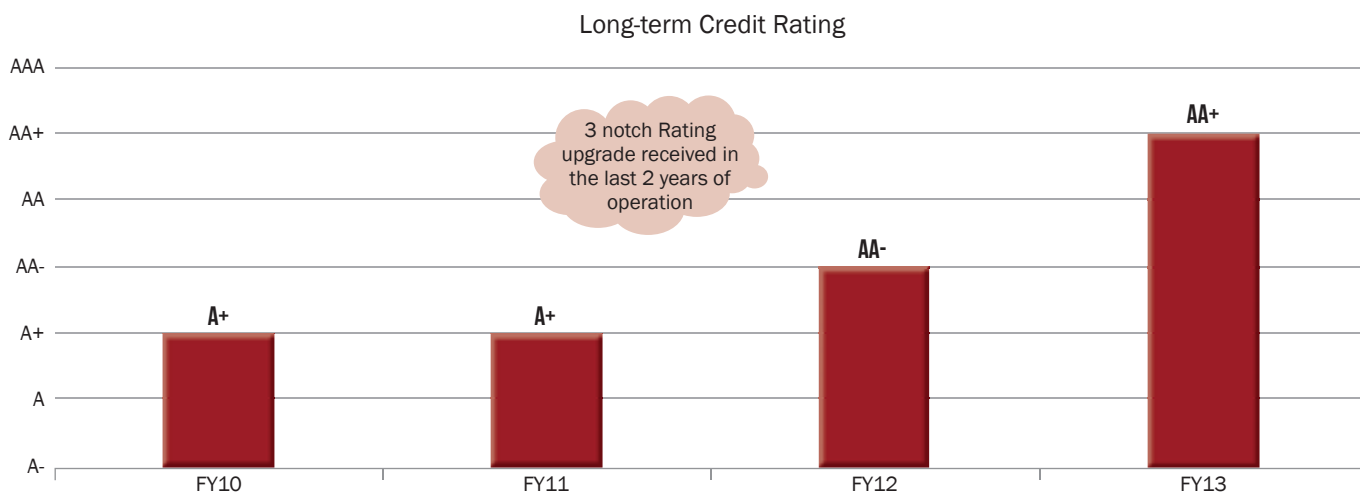
## Total Capital (₹ mn)



The Total Capital includes Network of the Company and Perpetual Debt & Subordinated Debt raised by the Company. The Network increased from ₹ 7.83 billion in FY11 to ₹ 8.32 billion in FY12 and ₹ 9.61 billion in FY13 mainly due to the profitability of the Company and investment of primary capital by Warburg Pincus through its affiliate Cloverdell Investment Ltd in FY13

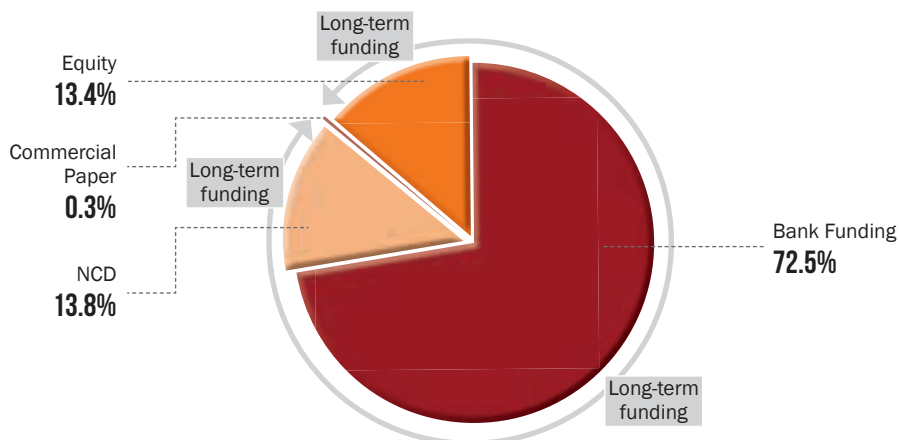
# KEY TRENDS

## Credit Rating



The long-term credit of the Company has been upgraded 3 notches to AA+ keeping the asset liability mismatches and high asset quality, strong credit processes, strong operation framework and experienced management team

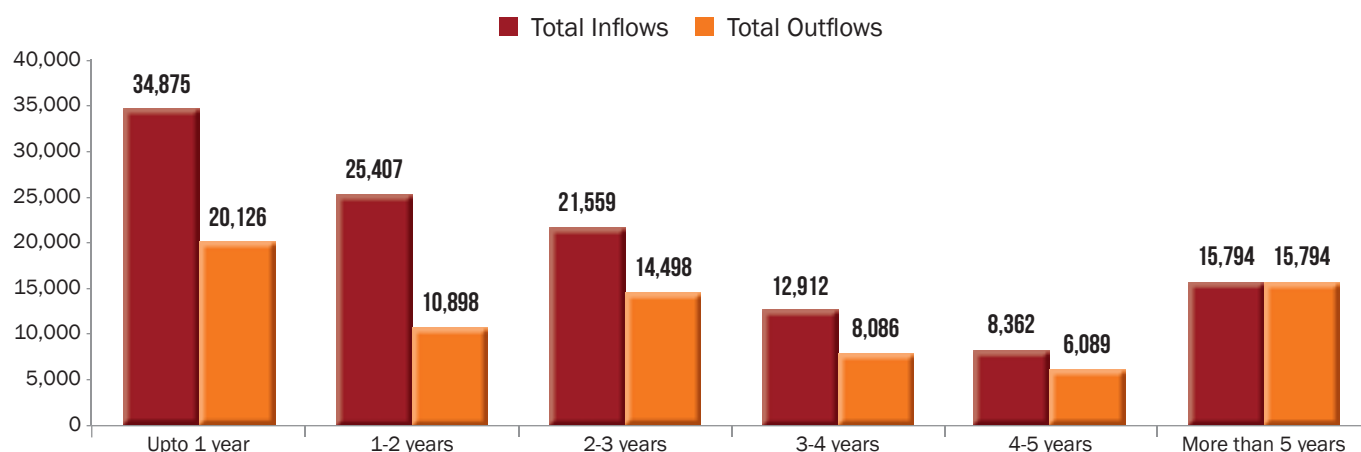
## Borrowing Composition – (as on 31 Mar 2013)



The Company has access to a wide range of funding options, including reputed Mutual Funds, Provident Funds, Banks through NCDs, CPs, and Long-term Loans. Almost the entire funding are in the nature of long-term (4-6 years)

# KEY TRENDS

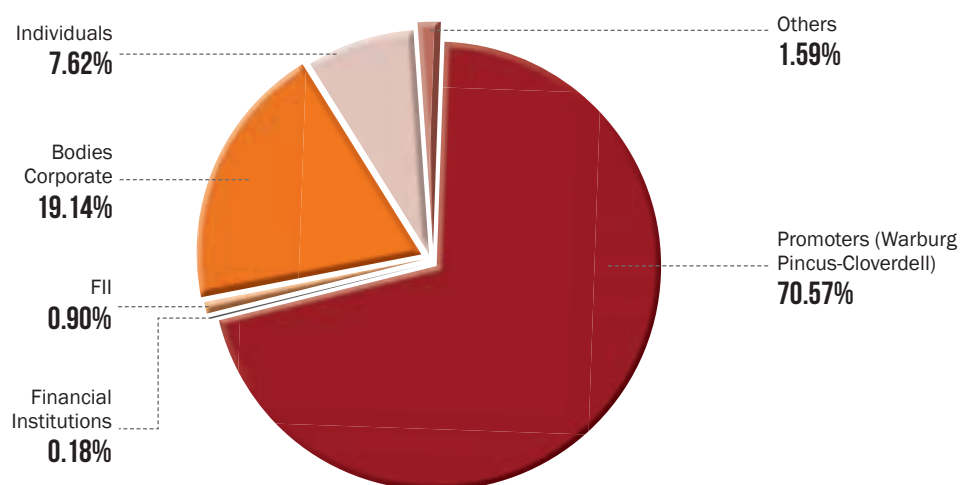
## Asset Liability Management - (as on 31 Mar 2013) (₹ mn)



■ The Company follows a prudent policy of 100% matched funding for all assets.

■ As a conservative strategy, the Company borrows for a longer tenor than its actuarial maturity of its assets. Hence, the total inflow in each maturity bucket is higher than the total outflows in the respective buckets which provides the Company adequate liquidity at all times.

## Equity Shareholding Pattern - (as on 31 Mar 2013)



# SENIOR MANAGEMENT TEAM



**APUL NAYYAR**  
CEO - CONSUMER & WEALTH  
MANAGEMENT BUSINESS

Apul is a qualified Chartered Accountant and has rich experience spanning nearly 17 years having worked with distinguished names in the banking and financial services industry.



**PANKAJ SANKLECHA**  
CHIEF FINANCIAL OFFICER &  
HEAD - CORPORATE CENTRE

Pankaj is a qualified Chartered Accountant and has 18 years of rich experience in Retail and Small & Medium Enterprises Banking.



**ASHOK SHINKAR**  
CEO - CORPORATE LENDING

Ashok is a Bachelor of Commerce from Sydenham College of Commerce and Economics, Mumbai University and a qualified Chartered Accountant and brings to the table over two decades of experience in Investment Banking and Pharmaceutical industry.



**NIHAL DESAI**  
CHIEF RISK OFFICER

Nihal is a B.E. (Computer Science and Technology) & MBA (Finance) and has 19 years of experience in leadership positions in financial services and IT industry.



**ADRIAN ANDRADE**  
HEAD - HUMAN RESOURCE AND  
ADMINISTRATION

Adrian brings to the table over 25 years of valuable experience spanning the various segment in the HR domain at various multinational banks.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Mr. V. Vaidyanathan**  
*Chairman & Managing Director*

**Mr. N. C. Singhal**  
*Independent Director*

**Mr. Anil Singhvi**  
*Independent Director*

**Mr. Vishal Mahadevia**  
*Non Executive Director*  
(w.e.f. September 28, 2012)

**Mr. M. S. Sundara Rajan**  
*Independent Director*  
(w.e.f. February 06, 2013)

**Mr. Hemang Raja**  
*Independent Director*  
(w.e.f. February 06, 2013)

## CHIEF FINANCIAL OFFICER & HEAD - CORPORATE CENTRE

Mr. Pankaj Sanklecha

## COMPANY SECRETARY

Mr. Satish Gaikwad

## STATUTORY AUDITORS

S. R. Batliboi & Co. LLP,  
Chartered Accountants

## INVESTOR RELATIONS

Mr. Saptarshi Bapari

## LIST OF BANKERS

Bank of India  
Bank of Maharashtra  
Canara Bank  
Central Bank of India  
Corporation Bank  
Dena Bank  
Deutsche Bank  
HDFC Bank  
HSBC Bank  
IDBI Bank  
Indian Overseas Bank  
Oriental Bank of Commerce  
State Bank of Bikaner & Jaipur  
Syndicate Bank  
Union Bank of India  
United Bank of India  
Vijaya Bank

## REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai - 400 078.  
Tel No.: +91 22 2594 6970  
Fax No.: +91 22 2594 6969  
E-mail : rnt.helpdesk@linkintime.co.in  
Website: www.linkintime.co.in

## REGISTERED & CORPORATE OFFICE

15<sup>th</sup> Floor, Tower - 2,  
Indiabulls Finance Centre,  
Senapati Bapat Marg, Elphinstone,  
Mumbai - 400 013, Maharashtra.  
Tel No. : +91 22 4042 3400  
Fax No.: +91 22 4042 3401  
E-mail : secretarial@capfirst.com  
Website: www.capfirst.com

## MAJOR SUBSCRIBERS OF NCD ISSUES

### INSURANCE COMPANIES

LIC of India  
GIC of India

### BANKS

Bank of India  
Corporation Bank  
Oriental Bank of Commerce  
Punjab & Sind Bank  
Punjab National Bank  
Syndicate Bank  
Union Bank of India  
Vijaya Bank  
ICICI Bank

### FINANCIAL INSTITUTIONS

IDFC Limited  
Gratuity Funds  
Provident Funds  
Pension Funds  
Superannuation Funds

### LIST OF MF INVESTORS

BOI AXA MF  
Escorts Mutual Fund  
IndiaBulls MF  
JP Morgan MF  
Peerless MF  
Pramerica MF  
Religare MF  
Sundaram MF  
Taurus MF  
Templeton MF  
UTI MF



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eighth Annual Report of your Company with the audited statement of accounts for the year ended March 31, 2013.

### FINANCIAL HIGHLIGHTS

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

(₹ in Million)

Particulars	Consolidated		Standalone	
	2012-13	2011-12	2012-13	2011-12
Total Income	8,196.19	7,437.45	8,000.54	7,027.62
Total Expenditure	7,677.11	5,921.51	7,459.31	5,676.50
<b>Profit Before Tax and exceptional items</b>	<b>519.08</b>	1,515.94	<b>541.23</b>	1,351.12
Exceptional income/(expense)	213.10	-	243.21	-
Provision For Tax	101.08	457.63	86.70	429.19
<b>Profit After Tax</b>	<b>631.10</b>	1,058.31	<b>697.74</b>	921.93
Profit/(Loss) brought forward from previous year	353.83	(359.07)	757.26	178.78
Add: Loss of subsidiary excluded on sale	32.75	-	-	-
<b>Profit available for appropriation</b>	<b>1,017.68</b>	699.24	<b>1,455.00</b>	1,100.71
<b>Appropriations:</b>				
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	139.55	186.34	139.55	184.39
Proposed Dividend	127.84	97.20	127.84	97.20
Dividend Tax thereon	21.73	15.77	21.73	15.77
Transfer to General Reserve	52.33	46.10	52.33	46.09
Balance carried forward to Balance Sheet	676.23	353.83	1,113.55	757.26

The Company is focused on providing a number of retail financial services to Retail, MSME, Consumer and wholesale credit, which is expected to drive growth for the Company going forward. Towards this end, the Company has launched a number of retail businesses recently.

During the year under review, the Company has successfully grown its outstanding Loan Assets under Management from ₹ 61.86 billion to ₹ 75.09 billion, a growth of 21%. The Retail Assets under Management has grown from ₹ 34.60 billion to ₹ 55.60 billion, a growth of 61%. As part of the plan to change the mix of assets, the Wholesale Book reduced by 28% from ₹ 27.25 billion to ₹ 19.50 billion.

The Net worth of the Company increased from ₹ 8,316 million to ₹ 9,607 million as at March 31, 2013.

Consolidated Net Interest Income increased by 29% from ₹ 1,970 million during the financial year ending March 31, 2012 to ₹ 2,538 million during the financial year ending March 31, 2013.

The Profit After Tax was down by 40% from ₹ 1,058 million to ₹ 631 million. However this is not representative of any reduced prospects of profitability of the Company. In fact the reduced profits are because of investments to scale up new business like Consumer Durables (grown from ₹ 444 million in FY 12 to ₹ 1,821 million in FY 13), Gold Loans (grown from ₹ 2,343 million in FY12 to ₹ 4,408 million in FY13), Two wheeler Loans (grown from ₹ 138 million in FY12 to ₹ 1,631 million in FY13), Loan against Property (grown from ₹ 30,510 million in FY12 to ₹ 46,234 million in FY13). Scaling up of these businesses also required commensurate investment in IT, collections and credit resources. In fact, the Company is confident of growing profits in a sustainable manner in the years to come based on the above investments. Further, the Company changed its accounting policies on amortising income on certain key income items which will make the income more stable and sustainable in future years.

### DIVIDEND

Keeping in mind the overall performance and the outlook for your Company, your Directors are pleased to recommend a dividend of ₹ 1.80/- (Rupee One and Paise Eighty only) per share i.e. 18% on each Equity Share of ₹ 10/- (Rupees Ten only). The dividend would be paid to all the shareholders, whose names appear in the Register of Members/Beneficial Holders list on the Book Closure/Record date.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Management Discussion and Analysis of the financial condition and result of consolidated operations of the Company for the year under review, is annexed and forms an integral part of this Directors' Report.

### CORPORATE GOVERNANCE

A Report on Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, forms part of the Annual Report.

## DIRECTORS' REPORT (CONTD.)

A Certificate from M/s. SVJS & Associates, Company Secretaries, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, also forms part of the Annual Report.

### SHARE CAPITAL

During the year under review, the Board at its Meeting held on June 4, 2012 had approved the execution of Share Purchase Agreement *inter-alia* with Pantaloon Retail (India) Limited, Future Value Retail Limited and Cloverdell Investment Ltd ("Cloverdell") and also the execution of Share Subscription Agreement with Cloverdell, pursuant to which an open offer was proposed by Cloverdell. Consequent to the subscription of shares and secondary acquisition through the above arrangement, Cloverdell acquired substantial stake and control of the Company and became Promoter of the Company. Cloverdell is a part of Warburg Pincus group. Warburg Pincus is a leading global private equity firm focused on growth investing. The firm has more than US\$40 billion in assets under management. Its active portfolio of more than 125 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 13 private equity funds which have invested more than US\$45 billion, in over 675 companies, in more than 35 countries.

During the year under review, pursuant to the approval of the shareholders sought through Postal Ballot, results of which were announced on July 5, 2012, the authorized share capital of the Company has been reclassified into 10,30,00,000 equity shares of ₹ 10/- each and 1,00,00,000 Compulsorily Convertible Preference Shares (CCPS) of ₹ 10/- each, aggregating to ₹ 1,13,00,00,000/-.

During the year under review, 53,000 equity shares were allotted to eligible employees of the Company under various Employee Stock Option Schemes of the Company.

Also, during the year under review, Cloverdell, who had been allotted 30,86,420 CCPS on September 28, 2012, requested for conversion of said shares into equity shares. Accordingly, the Board of Directors of the Company at its meeting held on March 14, 2013 allotted 30,86,420 equity shares against conversion of CCPS in the ratio of one equity share against one CCPS.

### CHANGE OF NAME OF THE COMPANY & ITS SUBSIDIARIES

Pursuant to the change in control and acquisition of majority stake by Cloverdell Investment Ltd in the Company through preferential allotment, acquisition of stake from erstwhile Promoters and from public shareholders under an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and as envisaged in the Share Purchase Agreement, the name of the Company changed from 'Future Capital Holdings Limited' to 'Capital First Limited' on November 8, 2012 vide the approval received from Registrar of Companies, Maharashtra, Mumbai.

To realign the name of the subsidiaries with the name of the holding Company i.e. Capital First Limited, the name of the following subsidiaries were changed in the manner given below pursuant to the approval received from Registrar of Companies:

1. *Capital First Securities Limited (Formerly Future Capital Securities Limited)*
2. *Capital First Commodities Limited (Formerly Future Capital Commodities Limited)*
3. *Capital First Home Finance Private Limited (Formerly Future Capital Home Finance Private Limited)*
4. *Capital First Investment Advisory Limited (Formerly Kshitij Investment Advisory Company Limited)*

### SUBSIDIARIES

Your Directors are pleased to inform that the Hon'ble High Court of Judicature at Bombay, vide its order dated April 13, 2012, has approved the Scheme of Amalgamation of two wholly owned subsidiaries of the Company viz. Future Capital Investment Advisors Limited and FCH Securities & Advisors Limited with Capital First Investment Advisory Limited (*formerly Kshitij Investment Advisory Company Limited*) and the same has been effective pursuant to filing a certified copy of the said order with the Registrar of Companies on June 2, 2012.

Pursuant to inflow of Foreign Direct Investment by Cloverdell Investment Ltd, downstream investment was made pursuant to adherence of minimum capitalization norms as per Consolidated Foreign Direct Investment Policy in subsidiary companies of the Company viz. Capital First Securities Limited, Capital First Home Finance Private Limited, Capital First Investment Advisory Limited

## DIRECTORS' REPORT (CONTD.)

and Capital First Commodities Limited through Capital First Securities Limited.

During the year under review, the Company sold the entire 10,00,000 fully paid-up equity shares of ₹ 10/- each held in its Wholly Owned Subsidiary Company namely Myra Mall Management Company Limited (Myra Mall) to Providence Educational Academy Private Limited, in its capacity as a Trustee of AAA Holding Trust, a private trust. Consequently, Myra Mall ceased to be a Subsidiary of the Company with effect from July 9, 2012.

Also, the Company sold the entire 1,07,50,000 fully paid-up equity shares of ₹ 10/- each held in its Wholly Owned Subsidiary Company namely Future Finance Limited to APAC Consultants Private Limited and its Associates. Consequently, Future Finance Limited also ceased to be a Subsidiary of the Company with effect from March 1, 2013.

Subsequent to the year under review, Capital First Home Finance Private Limited (*formerly known as Future Capital Home Finance Private Limited*), a Wholly Owned Subsidiary of the Company has received the Certificate of Registration from National Housing Bank to commence business of housing finance institution without accepting public deposits.

In terms of the General Circulars No. 2/2011 & 3/2011 of the Ministry of Corporate Affairs (MCA), dated 8<sup>th</sup> and 21<sup>st</sup> February, 2011, respectively, copies of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the Subsidiaries of the Company have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same and these documents are also kept for inspection by any Member at the Corporate Office of the Company and the Subsidiaries. However, as directed by the MCA, the financial data of the Subsidiaries has been furnished under 'Details of Subsidiaries', forming part of the Audited Accounts. Further, pursuant to Accounting Standard (AS - 21) issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements presented by the Company in this Annual Report includes financial information of its Subsidiaries.

### PUBLIC DEPOSITS

The Company being a Non Deposit Accepting Non Banking Finance Company has not accepted any deposits from the public during the year under review and shall not accept any deposits

from the public without obtaining prior approval of the Reserve Bank of India (RBI).

### RBI GUIDELINES

The Company has complied with the Regulations of the RBI as on March 31, 2013, as are applicable to it as a Systemically Important Non Deposit taking Non Banking Finance Company.

### CAPITAL ADEQUACY

The Company's capital adequacy ratio was 23.53% as on March 31, 2013, which is significantly above the threshold limit of 15% as prescribed by the RBI.

### CREDIT RATING

**Short-term borrowing programme:** During the year under review, Credit Analysis & Research Ltd. ("CARE") retained the "A1+" ("A One Plus") rating of short term borrowing program for an amount of ₹ 9,000 million. The rating is the highest rating issued by CARE for short term debt instruments and indicates strong capacity for timely payment of short term debt obligations and further indicates that the borrowing carries the lowest credit risk.

During the year, the long term rating of your Company was upgraded by two notches to "AA+" (Double A Plus) from "AA-" (Double A Minus) by both the rating agencies; CARE and Brickwork Ratings India Private Limited (Brickwork). Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

**Long-term Bank Loan Facilities:** During the year CARE has upgraded your Company's rating to "CARE AA+" ("Double A Plus") from "CARE AA-" ("Double A Minus") in respect of the long-term bank loan facilities of the Company aggregating to ₹ 45,000 million (enhanced from ₹ 22,500 million), having tenure of more than one year.

**Secured Redeemable Non-Convertible Debentures (NCDs):** During the year CARE has upgraded your Company's rating to "CARE AA+" ("Double A Plus") from "CARE AA-" ("Double A Minus") for the Secured Redeemable NCDs for an aggregate amount of ₹ 10,500 million (enhanced from ₹ 6,000 million). The rating of the Secured Redeemable NCDs was also upgraded by Brickwork to "BWR AA+" ("BWR Double A Plus") from "BWR AA-" ("BWR Double A Minus") for issue size upto ₹ 10,000 million (enhanced from ₹ 5,500 million).

## DIRECTORS' REPORT (CONTD.)

**Subordinated Non-Convertible Debentures (NCDs):** During the year CARE has assigned the "CARE AA+" ("Double A Plus") rating to the Unsecured Subordinated Debt program of the Company for an aggregate amount of ₹ 2,000 million. Brickwork upgraded the rating to "BWR AA+" ("BWR Double A Plus") from "BWR AA-" ("BWR Double A Minus") to the Unsecured Subordinated Debt program of the Company for an aggregate amount of ₹ 2,000 million (enhanced from ₹ 1,500 million).

**Perpetual Non-Convertible Debentures (NCDs):** During the year CARE has also assigned the "CARE AA" ("Double A") rating to the Perpetual Debt program of the Company for an aggregate amount of ₹ 1,500 million. Brickwork has also assigned the "BWR AA" ("Double A") rating to the Perpetual Debt program of the Company for an aggregate amount of ₹ 1,500 million.

### DIRECTORS

During the year under review, Mr. Kishore Biyani, Mr. G. N. Bajpai, Mr. Shailesh Haribhakti, Mr. Pradeep Mukerjee and Mr. K. K. Rathi resigned as Directors of the Company. The Board of Directors of the Company placed on record its appreciation for the valuable contribution made by these esteemed members in steering the Company on its growth path over the years.

Subsequent to the investment made by Warburg Pincus through its affiliate Cloverdell Investment Ltd, Mr. V. Vaidyanathan was designated as the Chairman of the Board of Directors of the Company.

Mr. Vishal Mahadevia, Mr. M S Sundara Rajan and Mr. Hemang Raja were appointed as additional Directors of the Company, during the year under review.

In accordance with Sections 255 and 256 of the Companies Act, 1956, read with the Articles of Association of the Company, Mr. Anil Singhvi, being Non-Executive and Independent Director, retire by rotation and being eligible offer himself for re-appointment at the ensuing Annual General Meeting.

Brief resumes of Directors, nature of their expertise in specific functional areas and names of companies in which they hold Directorship and/or Membership/Chairmanship of committees of the Board, are annexed and forms part of this Report (*Annexure 1*).

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 274(1)(g) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) that in the preparation of the annual accounts for the financial year ended March 31, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors have prepared the annual accounts for the financial year ended March 31, 2013, on a going concern basis.

### CONSOLIDATED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements are provided in this Annual Report. These statements have been prepared on the basis of the financial statements received from Subsidiaries, as approved by their respective Board of Directors.

### AUDITORS

M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have expressed their willingness to continue, if so appointed. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written confirmation from the Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said Section.

A proposal seeking their re-appointment is provided as part of the Notice of the ensuing Annual General Meeting.

## DIRECTORS' REPORT (CONTD.)

### **PARTICULARS OF EMPLOYEES, EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, the name and other particulars of certain employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Directors' Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company.

During the year under review, the Members of the Company vide Special Resolutions passed through Postal Ballot, result of which was announced on July 5, 2012, approved the CFL Employees Stock Option Scheme – 2012 (CFL ESOS – 2012) for the employees of the Company and its Subsidiary Companies.

Also, during the year under review, Company has granted employee stock options to eligible employees under various Employee Stock Option Schemes and also allotted 53,000 equity shares to eligible employees under aforesaid Schemes.

The disclosure(s) as required under the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, are annexed and forms part of this Report (*Annexure 2*).

### **PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, EXPENDITURE ON RESEARCH AND DEVELOPMENT, FOREIGN EXCHANGE INFLOW/OUTFLOW, ETC.**

The requirements of disclosure with regard to Conservation of Energy in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable to the Company.

The Company's activities do not require any technology to be absorbed as mentioned in the aforesaid Rules. However the Company makes all efforts towards conservation of energy, protection of environment and ensuring safety.

The details of the earnings and outgo in Foreign Exchange during the year under review are provided in Notes to the Financial Statements as at March 31, 2013. The Members are requested to refer to the said Note for details in this regard.

### **ACKNOWLEDGEMENT**

We are grateful to the Government of India, the Reserve Bank of India, the Securities and Exchange Board of India, the Stock Exchanges, Foreign Investment & Promotion Board, Insurance Regulatory and Development Authority of India, National Housing Bank and other regulatory authorities for their valuable guidance and support and wish to express our sincere appreciation for their continued co-operation and assistance. We look forward to their continued support in future.

We wish to thank our bankers, rating agencies, customers and all other business associates for their support and trust reposed in us.

Your Directors express their deep sense of appreciation for all the employees whose commitment, co-operation, active participation, dedication and professionalism has made the organisation's growth possible.

Finally, the Directors thank you for your continued trust and support.

**On behalf of the Board of Directors**

**V. Vaidyanathan**  
Chairman & Managing Director

Place : Mumbai  
Date : May 27, 2013

## ANNEXURE 1 TO THE DIRECTORS' REPORT

### BRIEF PROFILE OF DIRECTORS

#### I) Mr. V. Vaidyanathan

Mr. V. Vaidyanathan, aged 45, is the Chairman and Managing Director of Capital First Limited. He recently concluded the India's largest Management Buyout of a listed company which is one of his most significant professional achievements. As part of this MBO, Warburg Pincus, one of the world's most reputed Private Equity players, with funds of over US\$ 40 billion in 35 countries, has acquired a majority stake (70%) in Capital First Limited ('Capital First') through its affiliate Cloverdell Investment Ltd.

In 2010, in order to take an entrepreneurial role, he joined Capital First from ICICI Prudential Life Insurance Company, where he was the Managing Director and CEO. From a largely wholesale financing company with assets of under USD 200 million, he changed Capital First into largely a retail lending company with loan assets over USD 1.5 billion, out of which 74% is retail assets. Since his joining Capital First, he has successfully launched a number of retail businesses including MSME financing, Gold Loans, Two Wheeler loans, Consumer Durable loans and has implemented latest cutting edge technologies and scoring solutions in the company. Within 3 years, he has built a large retail franchise of 180 branches, 1200 employees across 42 cities, and has made Capital First a leading player in lending to MSMEs. Under his leadership, the company's long term credit rating has been re-rated thrice from A+ to AA+ within 3 years.

He was earlier appointed as Executive Director on the Board of ICICI Bank at the age of 38. He was also the Chairman of ICICI Home Finance Co. Ltd, and served on the Board of ICICI Lombard General Insurance Company and CIBIL, India's first credit bureau. He started his career with Citibank India in 1990 and served in the Consumer Banking Division of Citibank till 2000.

He joined ICICI Bank in early 2000 and helped transition the then ICICI Limited from a Domestic Financial Institution (DFI) to a Universal Bank. He was responsible for launching the Retail Banking Business since its inception in 2000 and managed the retail business till 2009. He built ICICI bank into a large retail powerhouse in the country and built a loan book of USD 30 billion in Mortgages, Auto Loans, Commercial Vehicle Loans, Personal Loans and Credit Cards, and took the bank to market leadership. He also

built a network of 1400 ICICI Bank branches across 800 cities, built a vast deposit base, and a franchise of 25 million customers. He also built the SME business and Rural Banking Business for the bank. His key passion is the usage of new age technology to expand organized retail lending and deposits to a vast expanse of India.

Over the years, his contribution won him many domestic and international awards including Best Retail Bank in Asia 2001, "Excellence in Retail Banking Award" 2002, Best Retail Bank in India 2003, 2004, and 2005 from the Asian Banker, "Most Innovative Bank" 2007, and was nominated "Retail Banker of the Year" by EFMA Europe for 2008 and 2009. He is an alumnus of Birla Institute of Technology and Harvard Business School. He is a regular marathoner and has run 7 marathons and 8 half marathons. He lives in Mumbai with his family of father, wife and three children.

The details of the Directorship and/or Membership/ Chairmanship of Committees of the Board of Mr. V. Vaidyanathan (except private companies, Section 25 companies and foreign companies) as on March 31, 2013 are as follows:

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
1	Capital First Securities Limited	-	-
2	Capital First Commodities Limited	-	-

Mr. V. Vaidyanathan holds 1,81,391 Equity Shares in the Company as on March 31, 2013.

#### II) Mr. Anil Singhvi

Mr. Anil Singhvi, aged 53 is Chairman of ICAN Investments Advisors Pvt. Ltd., a Corporate Advisory firm.

Mr. Singhvi has over 30 years of experience in Corporate sector, out of which 22 years spent with Ambuja Cements Ltd., where he rose from Manager to Managing Director & CEO. A Chartered Accountant, Mr. Singhvi played a defining role in making of Ambuja Cements. Company grew from less than one million to about 20 million tonnes by organic and inorganic strategies.



## ANNEXURE 1 TO THE DIRECTORS' REPORT (CONTD.)

In 2011, Mr. Singhvi conceptualized and advised merger of Enam, one of the largest investment banks in India, with Axis Bank, a deal involving around US \$ 500 million.

Recently, he found IIAS (Institutional Investor Advisory Services India Ltd.), a proxy advisory company for Institutional Investors. This is a pioneering effort in India for improving Corporate Governance and accountability of the Corporates.

He is on various Boards of companies, some of which are Hindustan Construction Co. Ltd., HCC Infrastructure Ltd., IDFC Securities Ltd., Subex Ltd., Institutional Investor Advisory Services India Ltd., Greatship (India) Limited, Lavasa Corporation Ltd. and Foundation for Liberal and Management Education (FLAME).

FLAME was founded to impart Liberal Arts education for Undergraduate students. He has been involved with this Institute right from the inception. It is uniquely positioned as one of the few institutes in India for Liberal Arts education. Flame has also set up Business School and School of Communication.

He is also closely associated with SAMPARC - a non government organization (founded in 1990) that helps to empower the destitute children and provides them not only shelter but a complete way of life. SAMPARC shelters over 800 such children by running 8 homes in the different part of the country.

Apart from this, he is also on the Indian Advisory Board of Habitat for Humanity, an NGO involved with construction of Houses for needy and poor people.

The details of the Directorship and/or Membership/ chairmanship of Committees of the Board held by Mr. Anil Singhvi (except private companies, Section 25 companies and foreign companies) as on March 31, 2013 are as follows:

Sr. No	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
1	Hindustan Construction Company Limited	M	-
2	HCC Infrastructure Company Limited	-	-
3	IDFC Securities Limited	-	-

Sr. No	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
4	Subex Limited	M	-
5	Greatship (India) Limited	-	-
6	Institutional Investor Advisory Services India Limited	-	-
7	Lavasa Corporation Limited	M	-

M - Member of the Committee

Mr. Anil Singhvi does not hold equity shares in the Company.

### III) Mr. N.C. Singhal

Mr. N. C. Singhal, aged 76 holds postgraduate qualifications in Economics, Statistics and Administration and was awarded the United Nations Development Programme Fellowship for advanced studies in the field of project formulation and evaluation, in Moscow and St. Petersburg. He received professional training in development banking at the World Bank, Washington D.C. and Kreditanstalt für Wiederaufbau, Frankfurt. He was the founder Chief Executive Officer, designated as the Vice-Chairman & Managing Director of The Shipping Credit & Investment Corporation of India Limited (since merged with the ICICI). Earlier, he was a senior executive and then a member of the Board of Directors of ICICI Limited. He was a Banking Expert to the Industrial Development Bank of Afghanistan, for the World Bank project and a Consultant and Management Specialist with the Asian Development Bank in Philippines, South Korea, Pakistan and Uzbekistan.

Mr. Singhal is a member of the Advisory Board of the International Maritime Bureau, London and was the Vice-Chairman of the Commission on Maritime Transport of the International Chamber of Commerce, Paris. He has been non-executive Chairman / Director of several companies; including, Axis Bank Limited, Shipping Corporation of India Limited and Max New York Life Insurance Company Limited.

The details of the Directorship and/or Membership/ chairmanship of Committees of the Board of Mr. N.C. Singhal (except private companies, Section 25 companies and foreign companies) as on March 31, 2013 are as follows:

## ANNEXURE 1 TO THE DIRECTORS' REPORT (CONTD.)

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Greivances Committee
1	SCI Forbes Limited	-	-
2	Forbes Bumi Armada Limited	-	-
3	Forbes Bumi Armada Offshore Limited		
4	Deepak Fertilizers and Petrochemicals Corporation Limited	C	
5	Max India Limited	C	M
6	Birla Sun Life Asset Management Company Limited	-	-
7	Tolani Shipping Company Limited	C	-
8	Binani Industries Limited	M	M
9	Amal Limited	C	C

C - Chairman of the Committee

M - Member of the Committee

Mr. N.C. Singhal does not hold any shares in the Company.

#### IV) Mr. Vishal Mahadevia

Mr. Vishal Mahadevia, aged 40 is Managing Director and co-head of Warburg Pincus India Private Limited. Previously, he was with Greenbriar Equity Group, a fund focused on private equity investments in the transportation sector. Prior to that, Mr. Mahadevia worked at Three Cities Research, Inc., a New York-based private equity fund, and as a consultant with McKinsey & Company. He is a Director of AU Financiers, Capital First, Continental Warehousing, Gangavaram Port, IMC Limited and QuEST Global Services. Mr. Mahadevia received a B.S. in economics with a concentration in finance and a B.S. in electrical engineering from the University of Pennsylvania.

The details of the Directorship and/or Membership/ chairmanship of Committees of the Board of Mr. Vishal Mahadevia (except private companies, Section 25 companies and foreign companies) as on March 31, 2013 are as follows:

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Greivances Committee
1	Gangavaram Port Limited	M	-
2	IMC Limited	M	-
3	Continental Warehousing Corporation (Nhava Sheva) Limited	-	-
4	AU Financiers (India) Limited	-	-

M - Member of the Committee

Mr. Vishal Mahadevia does not hold any shares in the Company.

#### V) Mr. M S Sundara Rajan

Mr. M S Sundara Rajan, aged 63 is a Post Graduate in Economics from University of Madras with specialization in Mathematical economics, National Income and Social Accounting. He is also a Certified Associate of Indian Institute of Bankers and Associate Member of Institute of Company Secretaries of India. He was Chairman and Managing Director (CMD) of Indian Bank and has total experience of over 38 years in the Banking Industry. He has also earlier worked with Union Bank of India for over 33 years. During his Stewardship as CMD of Indian Bank, the said Bank has won many accolades and awards. He has been ranked 45<sup>th</sup> in the Economic Times India Inc's most powerful CEOs list (2009) and also Ranked No.2 among the CEOs of Nationalized Banks and No.6 among the CEOs of Commercial banks.

The details of the Directorship and/or Membership/ chairmanship of Committees of the Board of Mr. M S Sundara Rajan (except private companies, Section 25 companies and foreign companies) as on March 31, 2013 are as follows:

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Greivances Committee
1	BGR Energy Systems Limited	-	-
2	Gitanjali Gems Limited	-	-
3	Kisan Moulding Limited	-	-

## ANNEXURE 1 TO THE DIRECTORS' REPORT (CONTD.)

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
4	My Mobile Payments Limited	-	-
5	NSDL Database Management Limited	-	-
6	Royal Sundaram Alliance Insurance Company Limited	-	-
7	Sundaram Mutual Fund Trustee Company Limited	M	-
8	The Clearing Corporation of India Limited	-	-
9	United Stock Exchange of India Limited	-	-

M - Member of the Committee

Mr. Sundara Rajan does not hold any shares in the Company.

### VI) Mr. Hemang Raja

Mr. Hemang Raja, aged 54 is an MBA from Abeline Christian University, Texas, with a major emphasis on finance. He has also done an Advanced Management Program (AMP) from Oxford University, UK. He has a vast experience of over thirty three years in financial services encompassing fund based businesses such as Project Finance and Corporate Banking, together with Treasury

management and Structured products with IL&FS. Mr. Raja has also been the head of Capital Market activities in the Institutional and Retail Segments when he started and became the Managing Director and CEO of the then newly formed initiative by IL & FS, namely IL & FS Investsmart Ltd.

During the last five years, he has been involved in the Private Equity and Fund Management business with Credit Suisse and Asia Growth Capital Advisers in India as MD and Head-India. Over the course of his career he has cultivated and managed over a hundred strong Corporate Relationships and has been involved in the creation of a retail customer base of more than two hundred thousand, in IL&FS and IL&FS Investsmart Ltd. He has served on the executive committee of the board of the National Stock Exchange of India Limited as also served as a member of the Corporate Governance Committee of the BSE Limited.

The details of the Directorship and/or Membership/ Chairmanship of Committees of the Board of Mr. Hemang Raja (except private companies, Section 25 companies and foreign companies) as on March 31, 2013 are as follows:

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
1	Techtran Polylenes Ltd.	-	-

Mr. Hemang Raja does not hold any shares in the Company.

## ANNEXURE 2 TO THE DIRECTORS' REPORT

Disclosures as required under the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 [SEBI (ESOS & ESPS) Guidelines, 1999].

### (I) CFL EMPLOYEES' SHARE PURCHASE SCHEME(S)

The Company has two Employees' Share Purchase Schemes viz. CFL Employees Share Purchase Scheme - 2007 (CFL ESPS - 2007) and CFL Employees Share Purchase Scheme - 2008 (CFL ESPS - 2008). The disclosures below are in respect of the year ended March 31, 2013.

Number of Equity Shares issued during the year	During the year, no equity shares were allotted to any employee under the CFL ESPS - 2007 & 2008.
Price at which Equity Shares were issued during the year	N.A.
Employee-wise details of Equity Shares issued during the year to:	
i) Directors and senior managerial employees	Nil
ii) any other employee who is issued Equity Shares in any one year amounting to 5% or more of Equity Shares issued during that year	Nil
iii) identified employees who are issued Equity Shares, during any one year equal to or exceeding 1% of the issued capital of our Company at the time of issuance	Nil
Diluted EPS pursuant to issuance of Equity Shares under ESPS during the year	N.A.
Consideration received against the issuance of Equity Shares	Nil

### (II) CFL EMPLOYEES STOCK OPTIONS SCHEME(S)

The Stock Options granted to the employees currently operate under five schemes viz. CFL Employees Stock Option Scheme - 2007 (CFL ESOS - 2007), CFL Employees Stock Option Scheme - 2008 (CFL ESOS - 2008), CFL Employees Stock Option Scheme - 2009 (CFL ESOS - 2009), CFL Employees Stock Option Scheme - 2011 (CFL ESOS - 2011) and CFL Employees Stock Option Scheme - 2012 (CFL ESOS - 2012) (collectively referred as 'Schemes'). The disclosures below are in respect of the year ended March 31, 2013.

Options Granted during the year	CFL ESOS - 2007 : Nil CFL ESOS - 2008 : 40,000 CFL ESOS - 2009 : 30,000 CFL ESOS - 2011 : 347,500 CFL ESOS - 2012 : 1,315,000
The pricing formula	As per the Schemes approved pursuant to the SEBI (ESOS & ESPS) Guidelines, 1999
Options Vested	CFL ESOS - 2007 : Nil CFL ESOS - 2008 : 162,100 CFL ESOS - 2009 : 160,000 CFL ESOS - 2011 : 217,000 CFL ESOS - 2012 : Nil
Options Exercised	CFL ESOS - 2007 : 8,000 CFL ESOS - 2008 : 2,000 CFL ESOS - 2009 : Nil CFL ESOS - 2011 : 43,000 CFL ESOS - 2012 : Nil
The total number of shares arising as a result of exercise of option	53,000 equity shares of ₹ 10 each/-
Options lapsed/cancelled/forfeited	CFL ESOS - 2007 : 100,000 CFL ESOS - 2008 : 20,000 CFL ESOS - 2009 : 30,000 CFL ESOS - 2011 : 69,000 CFL ESOS - 2012 : 15,000

## ANNEXURE 2 TO THE DIRECTORS' REPORT (CONTD.)

Variation of terms of options	No variation made in the terms of the Options granted under any of the Schemes.
Money realized by exercise of options	₹ 74,08,250/-
Total Number of options in force	CFL ESOS – 2007 : 344,000 CFL ESOS – 2008 : 597,500 CFL ESOS – 2009 : 350,000 CFL ESOS – 2011 : 1,432,500 CFL ESOS – 2012 : 1,300,000
Employee-wise details of options granted during the year to: i) Directors and senior managerial personnel ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Refer Note 1
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS-20) ('Earnings Per Share')	Diluted EPS calculated in accordance with AS-20 is ₹ 8.18 (Consolidated) per share and ₹ 10.16 (Standalone) per share for the FY 2012-13.
Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	* Had the Company (Consolidated) followed the fair value method for accounting the Stock Options, compensation expense would have been higher by ₹ 93,351,518/- with consequent lower Consolidated profits. On account of the same the diluted EPS of the Company (Consolidated) would have been less by ₹ 1.36 per share.
Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted Avg. Exercise Price CFL ESOS – 2007 : ₹ 257.35 CFL ESOS – 2008 : ₹ 188.66 CFL ESOS – 2009 : ₹ 266.31 CFL ESOS – 2011 : ₹ 194.48 CFL ESOS – 2012 : ₹ 203.17 Weighted Avg. Fair Value CFL ESOS – 2007 : ₹ 146.37 CFL ESOS – 2008 : ₹ 102.28 CFL ESOS – 2009 : ₹ 154.37 CFL ESOS – 2011 : ₹ 97.32 CFL ESOS – 2012 : ₹ 98.38

## ANNEXURE 2 TO THE DIRECTORS' REPORT (CONTD.)

A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
i) risk-free interest rate	CFL ESOS – 2007 : NA CFL ESOS – 2008 : 7.90%-8.12% CFL ESOS – 2009 : 7.90%-8.12% CFL ESOS – 2011 : 7.90%-8.12% CFL ESOS – 2012 : 7.90%-8.12%
ii) expected life	CFL ESOS – 2007 : 3.44 years CFL ESOS – 2008 : 4.51 years CFL ESOS – 2009 : 4.40 years CFL ESOS – 2011 : 6.68 years CFL ESOS – 2012 : 6.19 years
iii) expected volatility	CFL ESOS – 2007 : NA CFL ESOS – 2008 : 44.98%-53.35% CFL ESOS – 2009 : 44.98%-53.35% CFL ESOS – 2011 : 44.98%-53.35% CFL ESOS – 2012 : 44.98%-53.35%
iv) expected dividends	CFL ESOS – 2007 : NA CFL ESOS – 2008 : 0.90% CFL ESOS – 2009 : 0.90% CFL ESOS – 2011 : 0.90% CFL ESOS – 2012 : 0.90%
v) the price of the underlying shares in market at the time of option grant	Same as that of Grant Price

\* Note: Above figures are derived by considering the Options granted to the employees of the Company, its Holding company and its subsidiaries.

**Note 1:** Details of the options granted under ESOS to the Directors and Senior Managerial personnel of Capital First Limited during the fiscal year 2013 and its subsidiaries are as under:

Sr. No.	Particulars	Position	Number of options granted under CFL ESOS - 2011	Number of options granted under CFL ESOS - 2012
a	Directors and Senior Managerial personnel			
	Mr. Apul Nayyar	Chief Executive Officer - Consumer & Wealth Management Business	-	2,00,000
	Mr. Ashok Shinkar	Chief Executive Officer - Corporate Lending	3,00,000	-
	Mr. Nihal Desai	Chief Risk Officer	-	3,00,000
	Mr. Pankaj Sanklecha	Chief Financial Officer & Head Corporate Centre	-	3,00,000
	Mr. Adrian Andrade	Head - Human Resources & Administration	35,000	-
b.	Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year		Nil	
c.	Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant		Nil	

## MANAGEMENT DISCUSSION AND ANALYSIS

Investments, consumption and GDP growth in India during the end of 2011-12 was subdued, and this trend carried forward into of FY13. The economy faced issues of higher fiscal deficit and a higher current account deficit, which led to high inflation and low investments. The RBI, which started tightening the monetary policy in mid- 2010, carried forward the tight policy stance for the first 2 quarters of 2012-13.

External factors too impacted growth and Indian exports fell into negative territory, following subdued demand from trading partners. The overall investment climate in India remained passive, with domestic as well as foreign companies holding back on major decisions. Consumer sentiments too were low, impacting the overall demand in the market. Car sales for example grew only by 2.15% from 2.63 million in FY12 to 2.69 million in FY13. Two wheeler sales grew by 2.9% from 13.4 million in FY12 to 13.8 million in FY13. Commercial Vehicle sales declined by 2.02% from 8,09,499 in FY12 to 7,93,150 in FY13. The economic sentiment in India during the first half of 2012-13 was generally moderate.

However, during November 2012, the government initiated a series of bold reforms aimed at curtailing fiscal deficit and improving the investment climate. The government allowed FDI in retail and raised prices of Diesel and petrol, which improved confidence that the fiscal deficit will be structurally contained. Towards curtailing Current Account Deficit, the government announced a number of measures including restriction on gold imports. The government was able to contain fiscal deficit at 5.2%, which was deemed unlikely by most analysts tracking India even a few months ago. The budget announced in February 2013 was a responsible one with a close eye on fiscal deficit control.

As core inflation began to reduce, and as the government began to take decisive steps to reduce fiscal deficit, the RBI began to reduce interest rates in a measured manner. The RBI reduced the repo rate by 100 bps during the year, starting with 50 bps in April 2012, followed by reduction of 25 bps in January and March 2013. The borrowings under LAF was high at about ₹ 800.00 billion through the fiscal year, and in response the RBI reduced CRR by 75 bps and introduced OMOs of over ₹ 1.5 trillion during the year.

Considering the overall emerging macro- economic situation it now appears that the interest rates will moderate further during FY14. In parallel, the government is taking a number of steps to revive investments through speedier clearances. This will revive growth and stimulate demand. India's GDP

growth is expected to accelerate to over 6% in 2013-14, and increase further to 7% through FY15 and FY16, on revival of consumption, investments, higher growth in agriculture, higher government spending and lower interest rates.

During the fiscal year gone by, in the area of prudential regulations, there have been a number of significant developments with regard to the regulatory and supervisory framework for NBFCs including the following guidelines -

- **Lending against Gold Jewellery:** RBI notification that loan-to-value (LTV) ratio does not exceed 60% for loans against gold jewellery.
- **Revised guidelines on securitization transactions:** According to the revised guidelines released by the RBI on May 7, 2012, with respect to securitisation of transactions, originators will have to maintain a minimum retention ratio of 10%. The RBI also stipulated a minimum holding period of 6-12 months depending on the maturity of the loans.

In the short run, these measures initially affected the amount of securitisation by NBFCs, and the profits booked through such activities. However, over time the portfolios are seasoned as per the new guidelines and assignment market will accelerate again during the coming financial year.

- **Draft guidelines for NBFCs proposed by RBI, December 12, 2012, based on the Usha Thorat Committee recommendations (August 2011):**
  - ♦ NBFCs would need to recognize NPA when loans are overdue at 90 days rather than 180 days as is currently being followed.
  - ♦ Standard Asset provisioning to be increased to 0.40% from the extant norms of 0.25%.
  - ♦ Risk weight for commercial real estate exposures and capital market exposures to be increased to 125% and 150% respectively, from the extant norms of 100%.

The industry is likely to emerge stronger with better risk management, better control over NPAs and overall healthier balance sheets as a result of these norms over the long run.

NBFCs continued to contribute to the growth of the financial system in India during this period. NBFCs, especially those engaged in the retail finance segment, have grown stronger and played a crucial role in the development of sectors like consumer and lifestyle goods, transportation, housing & real estate, small

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

and medium business segments. The significant growth in the Micro, Small and Medium Enterprises (MSME) sector, which is largely underserved in India, has opened up a vast opportunity for financing. Also, the growing consumption trend due to a favourable shift in customer demographics will continue to provide a significant business opportunity.

### BUSINESS OVERVIEW

Capital First Limited (Capital First) has established a strong foundation and poised for future growth. Capital First provides financial services to Retail, MSME and Corporate customers, with aspirations to become a leading financial services provider, admired for high level of customer service, and respected for ethics, values and corporate governance. The Company's vision includes providing the MSME sector in India with debt capital and services to support its growth. Capital First is a Systemically Important NBFC with a record of consistent growth and profitability and a comprehensive product suite to meet the multiple financial needs of its customers, including MSME lending, consumer lending, corporate lending and wealth management services. High levels of corporate governance, transparency, robust processes and controls continue to be an integral part of its DNA. The Company continues to finance the growing consumption needs of the Indian consumers, which is driven by increased affluence, growing aspirations and favourable demographics.

The year FY13 is by far the most significant year in the life-stage of the company, as during this year, Warburg Pincus, through Cloverdell Investment Ltd, acquired 70.23% of the equity shares of the Company and became the promoters of the company. Later through purchases in the open market, Dayside Investment Ltd., part of the Warburg Pincus Group, acquired 0.34% of the equity shares of the company, taking the overall stake to 70.57% as of March 31, 2013. Warburg Pincus is a leading and admired global private equity firm focused on growth investing. The firm has more than USD 40 billion in assets under management. Its active portfolio of more than 125 companies is highly diversified by stage, sector and geography. The investment into Capital First has been made from WP XI, a USD 5.2 billion fund. With this development, the company has access to long term equity capital for future growth. The company aspires to build into a large and respectable finance company, admired by its customers for customer service, and admired by employees, equity holders and other stakeholders for its corporate governance.

Capital First has a strong distribution network set up of 180 branches with over 1200 employees spread across 40 cities in India.

During the year FY13, the Company grew its Loan Assets under management steadily while continuing to focus on asset quality. A snapshot of its performance during FY13 is given below –

- Asset Under Management increased by 21% to ₹ 75.09 billion
- Net Interest Income (NII) grew by 29% to ₹ 2,537 million
- Profit After Tax decreased by 40% to ₹ 631 million
- Gross NPA stood at 0.11% and Net NPA stood at 0.01%, substantially lower than industry benchmarks
- Networth increased by 16% to ₹ 9.61 billion
- Capital Adequacy Ratio (CAR) as on March 31, 2013 is 23.53%, which is higher than the minimum CAR regulatory requirement of 15%.
- Tier 1 Capital Adequacy Ratio as on March 31, 2013 is 16.26%

Capital First offers various genres of loans to three distinct customer segments, namely, the MSME segment, Consumer Segment and Corporate Segment. The Company primarily extends Mortgage Loans to its MSME customers. SMEs usually find it difficult to raise funds, particularly at short notice, and Capital First, through its extensive branch network provides essential debt capital to MSMEs in a quick, affordable and convenient manner. MSMEs often use this facility as working capital for growth of business, to cater to additional orders from their customers as a result of increased economic growth in India, or for procuring additional plant and machinery for growth of their business. Within three years of launch of this business, the company is among the significant providers of such debt finance to MSME customers.

A large number of micro enterprises also avail of Gold loans and use the proceeds for short term needs of their small businesses, and to bridge their short term cash flow needs. A number of small enterprises like kirana shop owners, newspaper delivery people or small traders avail two wheeler loans to improve their mobility and efficiency, and conveniently pay their installments through their business cash flows. Further, retail consumers avail Loan against Gold Jewellery and use it for short term funding needs, wedding in the family, emergency medical expenses, or for higher education.

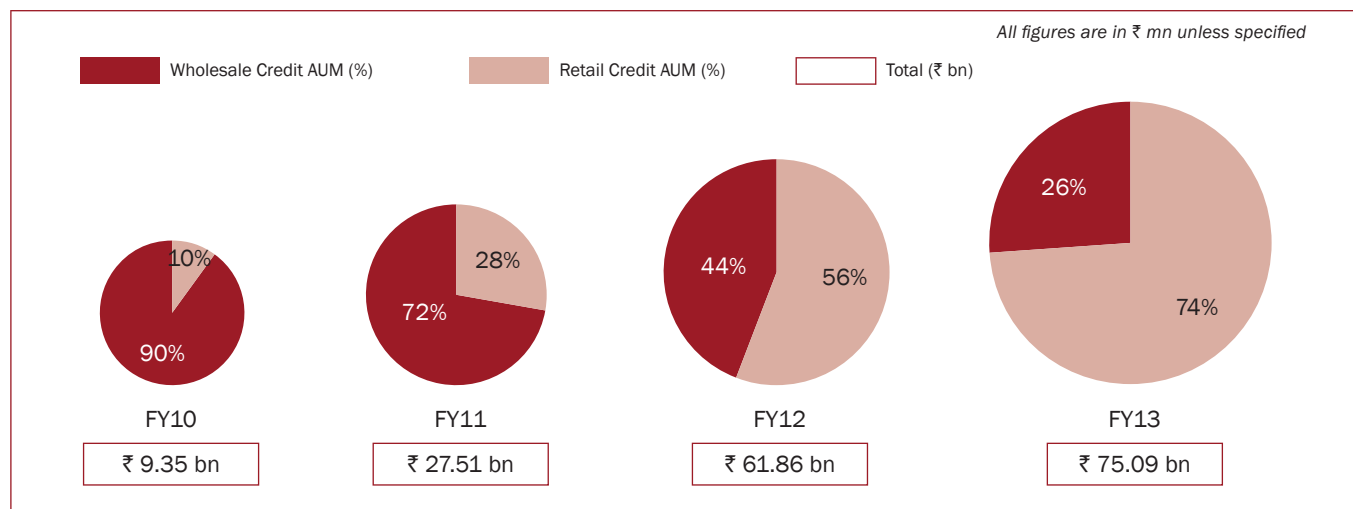
The company also offers Consumer Durable Loans for purchase of white goods of daily convenience like fridge, Air Conditioners, Laptops, PCs and Furniture. Entry level salaried employees typically tend to avail Two-Wheeler Loans to own their first mobility vehicle. These together form the retail credit segment business of the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Over the years, the Company has been expanding the composition of retail assets under management as a percentage of its overall loan assets.

### Expanding proportion of retail Assets Under Management (AUM)



### AUM Composition

(in ₹ million)

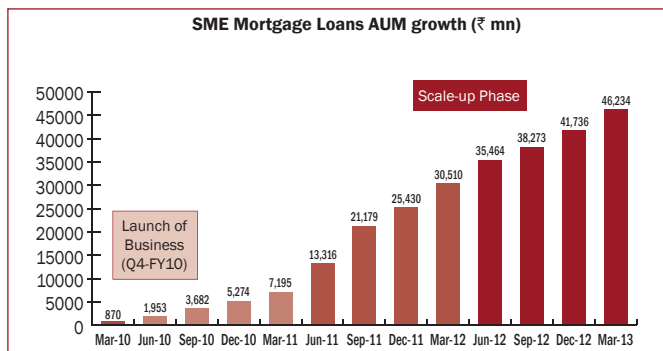
Breakup of Loan Assets	FY13	% of AUM	FY12	% of Retail
Retail Finance (MSME and Consumer)	55,599	74%	34,604	56%
Wholesale Credit	19,496	26%	27,253	44%
<b>Total</b>	<b>75,095</b>		<b>61,857</b>	

Breakup of Retail Loan Assets	FY13	% of Retail AUM	FY12	% of Retail AUM
SME Mortgage Loans	46,234	83.2%	30,510	88.2%
Gold Loans	4,408	7.9%	2,343	6.8%
Two Wheeler Loans	1,631	2.9%	138	0.4%
Consumer Durable Loans	1,821	3.3%	444	1.3%
Others	1,505	2.7%	1,169	3.4%
<b>Total</b>	<b>55,599</b>		<b>34,604</b>	

### MSME FINANCE

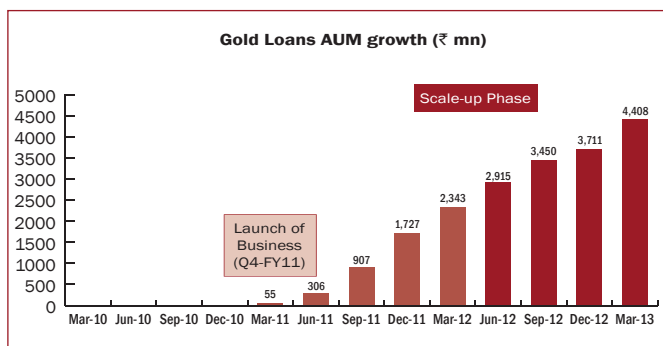
**SME Mortgage Loans:** This product is the main line of business for the Company and contributes 83.2% of the total retail assets. Under this product, the Company provides long term secured loans to SMEs, self-employed individuals and professionals against collateral of Residential or Commercial property. These are monthly amortising products with no Interest or Principal moratorium. The actuarial tenor of the loans is usually about 4-5 years. SMEs usually prepay these facilities before time, based on their cash accruals. The Company follows a very strict credit approval process with a specific focus on the cash flow analysis of the borrowers to ascertain their repayment capabilities. The Company has a separate credit assessment team, which is independent of the sourcing / sales team, to ensure strong underwriting capability. The average ticket size for this product is ₹ 10 million and the LTV is between 60-65% at origination. The Company has an extensive footprint across 40 cities to solicit and originate these loans. Since FY10, the AUM for the product has grown significantly from ₹ 870 million to ₹ 46.23 billion in FY13.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)



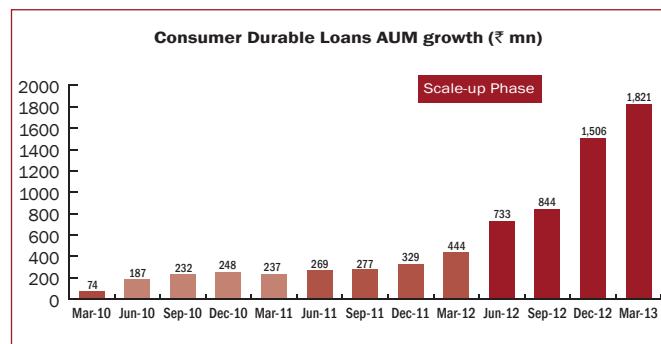
### CONSUMER FINANCE

**Gold Loans:** The Company provides Loans against Gold Jewellery to customers. Customers avail Gold Loans for various personal uses like medical emergencies, down payments for home purchases or renovation of homes. Often traders and small businesses avail Gold Loans to finance short-term business requirements. The loan size is usually ₹ 1,00,000 to ₹ 1,20,000. Gold Loans are short tenor loans of about 3-12 months. The Loan to Value is 60% on the value of the jewellery. The Company distributes Gold Loans through its extensive network of branches spread across 22 tier-1 and tier-2 cities in 10 states. Since inception in January 2011, Capital First has grown the Gold Loan book steadily and reached an AUM of ₹ 4.41 billion by FY13.



**Consumer Durable Loans:** Capital First provides financing for purchasing consumer electronics goods like LED, LCD, TVs, Washing Machines, Laptops, Furniture to salaried and self-employed customers which can be repaid through easy EMIs. From a distribution point of view, this is a highly fragmented market. Capital First has tied up with all leading consumer durable manufacturers to offer this product and has grown the business with the help of extensive reach, robust credit processes, quick turn-around and efficient customer services.

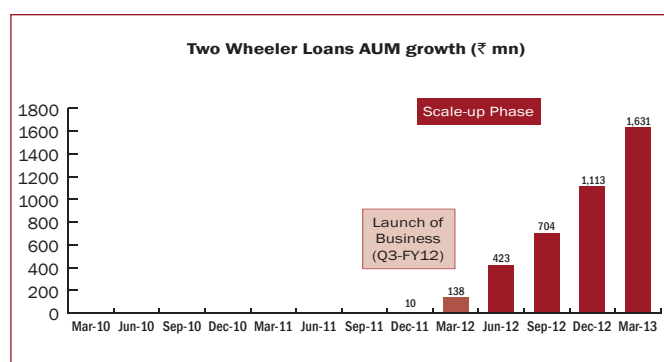
With the implementation of the new loan management system, improved processes and automated credit assessment capabilities, Capital First developed the unique capability of providing a credit decision within 3 minutes at the dealership/store that the customer has approached for a consumer durable loan. The average ticket size of such loan is between ₹ 15,000 and ₹ 20,000. Since inception in FY10, the loan book of Consumer Durable financing has grown to ₹ 1.82 billion by FY13. The business is relatively complex as it is difficult to build a large loan book in this business due to small ticket size of loans, short tenor of the loan (average actuarial tenor is 4 months) and it requires relationship with thousands of dealerships across remote geographies leading to high operating and distribution costs. But the company plans to build relationships with a large number of credit tested customers, and sell multiple products to these customers over their lifetime through sophisticated technology solutions. It would enable the Company to build the scale that is necessary to be profitable and sustainable in this business.



**Two Wheeler loans:** Capital First extends Two-Wheeler loans through easy EMIs to self employed customers like small traders, suppliers, shop keepers with good credit profiles as well as salaried employees, usually taking up their first job in the organized sector. These loans are originated through an extensive network of Two Wheeler Dealers. Capital First has tied up with over 800 Two Wheeler Dealerships across 29 tier-1 and tier-2 cities in India for this purpose. Two Wheeler Loans are relatively small ticket size loans of about ₹ 30,000 to ₹ 40,000 with door to door tenure of around 2 years. Since inception in October 2011, Capital First has grown the two wheeler financing business with the help of extensive reach, robust credit processes, quick turn-around and efficient customer services. Capital First has two wheeler loan assets of 1.63 billion as of March 31, 2013. The two wheeler business as well is relatively complex as the ticket size is low, the tenor is short (average actuarial tenor

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

is 1 year) and the business has relatively high operating and distribution costs as it requires presence and relationships with thousands of dealers across remote geographies. But the company will build relationship with a large number of credit tested customers, and sell multiple products to these customers over their lifetime through sophisticated technology solutions to build the necessary scale to make the business profitable and sustainable.



### WHOLESALE SEGMENT

Capital First's wholesale segment comprises both fund based and fee based activities. This segment offers secured senior credit offerings like loans against listed and liquid securities, and loans to reputed real estate developers. For loans to real estate, the company escrows the receivables from sales of flats, and takes charge on property with significant asset cover of 2.5-5 times of receivables. By the end of FY13, the wholesale credit AUM stood at ₹ 19.50 billion, down from ₹ 27.25 bn as of March 2012 because of accelerated repayments from its wholesale customers. Where fee based activities are concerned, the Company syndicates Term Loan (Fresh/Refinance) for its corporate clients.

#### Improved Asset Quality

The Company has maintained high standards of credit quality over the years using the good checks and controls in the credit approval processes, and close monitoring of the portfolio. As a result, the Gross NPA of the Company has been consistently maintained between 10-15 bps. The Gross NPA stood at 0.11% and the Net NPA stood at 0.01% by the end of FY13.

The Company has maintained high standards of credit quality over the years using the good checks and controls in the credit approval processes. As a result, the Gross NPA of the Company has been consistently maintained between 10-15 bps. The Company

plans to continue to build on the same and maintain high asset quality, by further improvising the underwriting processes based on experience. The Company recognizes that with increased ageing of the loan book and with increased portfolio maturity, the reported NPA may increase, but will continue to be better than the industry and the Company is confident of maintaining overall high asset quality.

### RESOURCES & LIABILITIES

Reducing the cost of funds is a continuing endeavour for the company. Over the last 3 years, the company has substantially and continuously reduced the cost of borrowings, even while the Base Rates of Banks were continuously going up during 2010-2012. We are pleased to report that during FY13, Capital First made further and significant progress in reducing the cost of funds by diversifying the sources of funding.

The company has a unique distinction of being upgraded thrice in three years reflecting the confidence of the financial system in the company's business model, strong promoters, experienced management, and good cash flow management. We are delighted to report that the company has been upgraded from A+ in 2010 to AA+ in 2012, which is among the highest ratings in the financial services industry, achieved by very few companies in the sector. The company has access to funds at fine rates from banks and Capital Debt markets.

During the financial year FY13, the Company had access to a wider range of funding options, being Term loans and cash credit by banks, Issuance of Non-Convertible Debentures on a private placement basis, issuance of unsecured subordinated debentures and bonds in the nature of perpetual debt. These debt instruments were issued to a wide range of investors, being reputed mutual funds, banks, provident funds, gratuity, pension and superannuation funds and insurance companies.

#### Asset-Liability Management

The company places high priority on maintaining high structural liquidity at all times. As a prudent Asset Management Strategy, to protect itself from liquidity risks, the Company follows a policy of matched funding, whereby all assets are entirely funded by corresponding liabilities of similar maturities on an actuarial basis. Floating rate loans are funded by floating rate liabilities to cover interest rate risks. The Company runs a positive mismatch in all the maturity buckets of structural liquidity analysis as the maturing assets are higher than the maturing liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### CONSOLIDATED FINANCIAL PERFORMANCE

The following table presents our consolidated results of operations for the year ended March 31, 2013:

(₹ in million)

	Year ended March 31, 2013	Year ended March 31, 2012	% Change
Interest Income	7,333	5,574	32%
Interest Expense	4,795	3,604	33%
NII	2,538	1,970	29%
Assignment/Fee/Other Income	1,037	1,490	# (31%)
Total Income	3,575	3,460	3%
Expenditure	2,623	1,719	* 53%
Provision	220	225	(2%)
Profit after tax	631	1,058	(40%)

In FY13, the Interest Income was up 32% over the previous year reflecting a healthy growth of keylines of businesses. The Interest expense was also higher by 33% because of increased borrowing of the Company. The NII consequently was also up by 29%. The Profit After Tax of the Company dropped by 40% primarily because of investing in new businesses, coupled with change of accounting policies.

\* Many of the businesses of the Company are currently in the scale up stage and the Company is currently investing in these businesses. The Company substantially scaled up operations last year in terms of hiring employees and operating branches, which is part of setting up costs of any growing Company. Businesses grown during the year included Consumer Durables (grown from ₹ 444 million in FY12 to ₹ 1,821 million in FY13), Gold Loans (grown from ₹ 2,343 million in FY12 to ₹ 4,408 million in FY13), Two Wheeler Loans (grown from ₹ 138 million in FY12 to ₹ 1,631 million in FY13), SME Mortgage Loans (grown from ₹ 30,510 million in FY12 to ₹ 46,234 million in FY13). Scaling up of these businesses also required commensurate investment in IT, collections and credit resources. In fact, the Company is confident of growing profits in a sustainable manner in the years to come based on the above investments.

# Change in Accounting Policy: During the year, the Company made a crucial change in its accounting policies to make it more conservative. Until the last year, the Company recognised

income from certain keylines of income like customer fees and assignment of loans on an upfront basis. During FY13, the Company started amortizing fees on all loans, and on assignment of loans. The profits will reflect in the accounting Profit and Loss of the future years, as the economic value of these transactions remain the same, only that the income is booked over the life of the loan. This will make the revenue stream of the Company more stable over the long run.

### Shareholders' Funds

As of March 31, 2013, shareholders' funds of the Company amounted to ₹ 9,607 million as compared to ₹ 8,316 million as on March 31, 2012. The overall capital adequacy of the Company increased during the year and is quite healthy at 23.53% as on March 31, 2013, as compared to 18.63% as on March 31, 2012.

### INTERNAL CONTROL SYSTEMS

The Company has in place adequate systems of internal control which is commensurate with its size and nature of operations. It maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Company has in place adequate systems to ensure that assets are safeguarded against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported. We have further strengthened our system controls by implementation of robust Loan Management Systems.

The Company has an established In-house Internal Audit Department. The Internal Audit Team, which reports directly to the Audit Committee of the Board, undertakes comprehensive audit of functional areas and operations of the Company to examine the adequacy of and compliance with policies, plans and statutory requirements. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

### RISK MANAGEMENT

Capital First acknowledges the fact that people, processes and technology are vital elements for mitigating various risks posed by the environment and the organisation continues to invest in them. Towards effective management of risk, the Company:

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

- has established detailed procedures and policies for underwriting across various product categories, based on the credit profile of the customer.
- underwrites loans on the basis of assessed cash flow capability of the customers as well as LTV norms, including, but not limited to, regular credit bureau inputs and a detailed credit analysis processes. For other consumer loans, the Company has implemented statistically valid credit scoring systems that adequately address the risk in lending and collections.

As an illustration, for mortgages, only 25%-29% of the total applications received by the Company are disbursed after passing through several levels of scrutiny and checks, mainly centred around cash flow evaluation, credit bureau, fraud and reference checks. The Company ensures that the underwriting and collection process and infrastructure are well streamlined and managed by highly competent workforce that is imparted necessary training as well. This helps in maintaining Capital First's high asset quality and low NPA levels.

At Capital First, there is a clear segregation of authorities and responsibilities across functions to create necessary checks and balance towards creating a robust portfolio. Sales, credit, operations and collections are independent of each other, with independent reporting lines. The operations team ensures an independent due-diligence of the documentation and conditions precedent before booking the loans. The operations team independently manages the customer repayment (through PDCs and ECS), while an independent collections team pursues delayed customer repayments for the residual risk. These processes ensure that the customer is serviced by separate teams during his loan cycle with the organisation, reducing chances of conflict of interest within the system.

Capital First realises that a good customer experience is of critical importance in building a sustainable customer franchise. Accordingly, the Company constantly endeavours to improve the service engagement with the customers through physical branches and the call centre with effective customer engagement and awareness tools like regular automated SMS, welcome and awareness calling, e-mailers and follow up letters at regular intervals to keep the customer aware of the payment cycle.

The Company has also put in place Management Information Systems (MIS) through a strong IT backbone to assist in monitoring of portfolios on a continuous basis. It has been

continuously monitoring and realigning its credit policies and processes at regular interval and is also working very closely with leading credit bureaus in the country to ensure better credit quality.

Risk management committee reviews are regularly undertaken to examine and address issues such as systemic risks to the organisation/portfolio/balance sheet arising from credit quality, liquidity and interest rate movements. We believe our efforts to continuously strengthen our risk framework and portfolio quality have paid off and our overall portfolio quality has been stable and healthy.

### INFORMATION TECHNOLOGY

Capital First actively invests in technology platforms to create efficiencies and expand its business. Using systems to automate processes and decision making, we seek to offer better customer experience, reduce Turn Around Time (TAT), minimize operational risk and minimise human error. We believe this creates a unique advantage in the market place and ensures mitigation of risks with minimal intervention.

During FY13 Capital First has taken significant steps to strengthen the technology and operations framework. During the year, the entire portfolio was migrated to a new and contemporary application software provided by established companies. These systems are more robust and contemporary than our legacy systems. It is in the process of partnering with a global CRM provider to create a paradigm shift in the way we operate.

### HUMAN CAPITAL

Capital First recognises that people play a critical role in achieving its goals. As on March 31, 2013, the Company had a team of 1,232 talented and experienced employees, providing a wide range of financial services.

As stated previously the people agenda has a 3 pronged strategy –

- Driving a performance culture to achieve financial goals,
- Future proofing the franchise to build sustainability and
- Engagement, communication and transparency to build commitment.

During the year, the Company implemented a new Intranet system for employees that enabled them to access all key personnel information, as well as do a number of transactions in an automated matter such as settling claims, applying for leave, claiming allowances and so on. The Company continues to strengthen its processes and has automated a majority of the

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

processes for managers and employees. The focus during the year was to sharpen performance management processes to create a high performance culture. Capital First also undertook a full review of its business structures and made the necessary changes for effectiveness and to meet the Company's goals.

While there are challenges which any young, fast growing Company faces, the employees of the Company have remained focused on the tasks of building businesses and processes as required despite the challenges of the market environment. The motivation of the employees is high and the team is generally charged as they are participating in the creation of a new large organisation with new lines of businesses. Through the year Capital First has been able to attract and retain its key talent at all levels. It continues to use the Employees Stock Options Scheme (ESOS) and Employee Stock Purchase Scheme (ESPS) to foster a sense of ownership among select employees. Looking ahead, the Company plans to introduce initiatives to enhance employee engagement, create new working practices to achieve objectives and roll out a Talent Management framework to build capabilities for the future.

### OUTLOOK

Even after the change in the shareholding pattern and the advent of Warburg Pincus as a major stock holder, the business model and processes continue as before. In fact, Warburg Pincus invested in the Company, and took promoter stakes, precisely because they liked the quality of management, the strong platform the Company had built and the fact that the lines of business the Company operates in has excellent potential to grow. The Company looks forward to continued steady growth in

the future with a focus on growing the retail finance segment. Capital First plans to achieve this with the help of committed and energetic employees, contemporary systems, effective and reengineered processes and controls, strong credit and support functions, strong compliance with the law and regulatory framework, good corporate governance, and in an ethical way. The Company continues to make necessary investments in the field of technology and processes to strengthen its origination and risk management practices. It will also continue to focus on consolidating its assets and infrastructure for better operational leverage and more efficient operations.

### CAUTIONARY STATEMENT

*Statements made in this Management Discussion and Analysis Report may contain certain forward-looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the Company's businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and the Company does not undertake any obligation to update these statements. The Company has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.*

# REPORT ON CORPORATE GOVERNANCE

## INTRODUCTION:

Clause 49 of the Listing Agreement executed with the Stock Exchange(s), *inter alia*, lists down various corporate governance related practices and requirements, which listed companies are required to adopt and follow. This Report outlines the governance practices followed by the Company in compliance with the said requirements of the Listing Agreement.

## PHILOSOPHY ON CORPORATE GOVERNANCE:

The Corporate Governance philosophy of the Company is driven by the following fundamental principles which ensure:

- conduct of the affairs of the Company in an ethical manner;
- transparency in all dealings;
- highest level of responsibility and accountability in dealing with various stakeholders of the Company;
- compliance with applicable statutes and regulations;
- timely dissemination of all price sensitive information and matters of interest to stakeholders through proper channel.

The Company firmly believes in good corporate governance and endeavours to implement the Code of Corporate Governance in its true spirit. The philosophy of the Company in relation to corporate governance is to ensure transparency in all its operations, make disclosures, and enhance shareholder value without compromising in any way on compliance with the laws and regulations. The Company believes that good governance brings about sustained corporate growth and long-term benefits for stakeholders.

## BOARD OF DIRECTORS (“Board”)

The Board of Directors includes the Executive, Non-executive and Independent Directors with a majority of Independent Directors so as to ensure proper governance and management.

The Corporate Governance principles of the Company have been formulated to ensure that the Board remains informed, independent and participates actively in the affairs of the Company. The Company also strives to mitigate “non business” risks and enhance stakeholders’ value by taking measures to continuously improve Corporate Governance standards.

The Directors at Capital First Limited (‘Capital First’) possess the highest personal and professional ethics, integrity and

values and are committed to represent the long-term interest of the stakeholders. The Company’s business is conducted by its employees under the direction of Mr. V. Vaidyanathan, Chairman & Managing Director and the overall supervision of the Board.

Capital First’s Corporate Governance framework is based on having a composition wherein a majority of Directors are Independent Board Members. Further, the constitution of Board Committees meet all statutory requirements of various regulatory authorities including the Reserve Bank of India, SEBI and MCA, and committees are chaired by Independent Directors, as per the above requirements. Committees have been suitably constituted for significant and material matters and also have a blend of Executive Management Members to assist the Committees. The Board plays an effective supervisory role through the above governance framework.

## COMPOSITION OF THE BOARD

During the year under review, the Board of Directors of the Company had an optimum combination of Professional and Independent Directors with excellent knowledge and experience in various fields relating to the business activities of the company.

As at March 31, 2013, the Board of Directors of the Company consisted of, four Independent Directors, one Non Executive Director and one Executive Director.

None of the Directors hold directorship in more than fifteen public limited companies, nor is any of them a member of more than ten committees or Chairman of more than five committees across all public limited companies in which they are Directors.

During the financial year 2012-13, Ten Meetings of the Board of Directors were held on following days: May 25, 2012, May 29, 2012, June 4, 2012, July 30, 2012, August 2, 2012, September 28, 2012, November 5, 2012, November 21, 2012 and two meetings on February 6, 2013 with the time gap between any two consecutive Meetings being not more than four months at any point in time.

The details of the number of Board and General Meeting(s) attended by each Director during the year ended March 31, 2013 and Directorship and/or Membership/Chairmanship of the Committees of Board (except private companies, Section 25 companies and foreign companies) held by each of them as on March 31, 2013, are given below:

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

Name of the Director	Category	Attendance Particulars			No. of outside Director-ships	No. of committee positions held (including in company)	
		No. of Board Meetings held during tenure of the Director	No. Board Meetings attended by the Director	Attended the last AGM		Chairman	Member@
Mr. V. Vaidyanathan	Chairman & Managing Director	10	10	YES	2	-	1
Mr. Kishore Biyani (resigned w.e.f. 28.09.2012)	Non-Executive Director	6	5	NO	NA	NA	NA
Mr. Krishan Kant Rathi (resigned w.e.f. 06.02.2013)	Non-Executive/ Non-Independent Director	9	6	YES	NA	NA	NA
Mr. G. N. Bajpai (resigned w.e.f. 28.09.2012)	Non-Executive/ Independent Director	6	5	NO	NA	NA	NA
Mr. Shailesh Haribhakti (resigned w.e.f. 28.09.2012)	Non-Executive/ Independent Director	6	5	YES	NA	NA	NA
Mr. Anil Singhvi	Non-Executive/ Independent Director	10	10	YES	7	1	4
Mr. N. C. Singhal	Non-Executive/ Independent Director	10	9	YES	9	5	9
Mr. Pradeep Mukerjee (resigned w.e.f. 06.02.2013)	Non-Executive/ Independent Director	9	7	YES	NA	NA	NA
Mr. Vishal Kashyap Mahadevia (appointed w.e.f. 28.09.2012)	Non - Executive Director (Nominee of Cloverdell Investment Ltd)	4	4	NA	4	-	3
Mr. Hemang Harish Raja (appointed w.e.f. 06.02.2013)	Non - Executive & Independent Director	1	1	NA	1	-	-
Mr. M S Sundara Rajan (appointed w.e.f. 06.02.2013)	Non - Executive & Independent Director	1	1	NA	8	1	2

@ The Chairman of the Committee is also counted as member of the Committee. For the purpose of computation of Committee membership, only membership of Audit Committee and Shareholder's/Investors' Grievances Committee are considered.

N.A. i.e. Not Applicable denotes that the concerned Directors were not Members of the Board at the time of respective Meetings. Also in case of other Directorships/Committee Membership, they ceased to be Director as on March 31, 2013.

### COMMITTEES OF THE BOARD OF DIRECTORS:

Under the aegis of the Board of Directors, several committees have been constituted which have been delegated powers for different functional areas. The Audit Committee, Shareholders'/Investors' Grievance and Share Transfer Committee, Compensation and Nomination Committee (which is also the ESOS/ESPS/ Remuneration Committee), Asset Liability Management Committee (ALCO) and Risk Management Committee (RMC) have been constituted pursuant to and in accordance with the provisions of Listing Agreement, rules & regulations prescribed by Reserve Bank of India read with requirements of the Companies Act, 1956 and other applicable laws.



## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### AUDIT COMMITTEE

#### Terms of Reference

In addition to the matters provided in Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and Reserve Bank of India, the Committee reviews the reports of the Internal Auditors, periodically meets the Statutory Auditors of the Company and discusses their findings, observations, suggestions, scope of audit etc. and also reviews internal control systems and accounting policies followed by the Company. The Committee also reviews the financial statements with the management, before their submission to the Board.

The terms of reference of the Audit Committee of the Board of Directors of the Company, *inter alia* includes;

1. Overseeing the Company's financial reporting process and reviewing with the management, the financial statements before submission to the Board for approval;
2. Recommending to the Board the appointment, re-appointment and replacement of the Statutory Auditor and fixing their fees;
3. Reviewing the internal audit function of the Company;
4. Such other matters as specified under Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and Reserve Bank of India or as may be delegated by the Board of Directors of the Company.

#### Composition and Attendance of Meeting:

The Audit Committee comprises of following four Members and three of them are Independent Directors:

- Mr. Anil Singhvi - Chairman (Independent Director)
- Mr. N. C. Singhal - Member (Independent Director)
- Mr. Vishal Mahadevia - Member (Non Executive Director)
- Mr. M S Sundara Rajan\*\* - Member (Independent Director)

\*\* Mr. M S Sundara Rajan was appointed as a Member with effect from April 12, 2013.

All the Members of the Committee have vast experience and knowledge of finance, accounts and corporate laws with the Chairman of the Committee being an eminent Chartered Accountant, who has finance, accounting, corporate law and financial market related expertise. The Statutory Auditors, Internal Auditors and Senior Management may attend the Meetings of the Committee on an invitation basis.

The quorum for the Meeting of the Audit Committee is as per

applicable laws. The Company Secretary of the Company acts as a Secretary to the Committee.

During the year under review, the Committee met five times, i.e. on May 25, 2012, May 29, 2012, July 30, 2012, November 5, 2012 and February 6, 2013. The details of the attendance of Directors at Audit Committee meetings during the financial year are as under:

Name	Number of Audit Committee Meeting (s) Attended
Mr. Anil Singhvi	5
Mr. N. C. Singhal	3
Mr. G.N. Bajpai *	2
Mr. Krishan Kant Rathi #	3
Mr. Vishal Mahadevia ^	1
Mr. M S Sundara Rajan ^^	N.A.

\*Mr. G.N Bajpai had resigned as Member of Audit Committee with effect from September 28, 2012.

# Mr. Krishan Kant Rathi had resigned as Member of Audit Committee with effect from February 6, 2013.

^ Mr. Vishal Mahadevia was appointed as a Member with effect from November 5, 2012.

^^ Mr. M S Sundara Rajan was appointed as a Member with effect from April 12, 2013.

N.A. i.e. Not Applicable denotes that the concerned Director was not Member of the Committee at the time of respective Meetings.

The minutes of the Audit Committee Meetings forms part of the documents placed before the Meetings of the Board. In addition, the Chairman of the Audit Committee appraises the Board Members about the significant discussions at Audit Committee Meetings.

### COMPENSATION AND NOMINATION COMMITTEE (WHICH IS ALSO THE ESOS/ESPS/REMUNERATION COMMITTEE)

#### Terms of reference:

The terms of reference of the Compensation and Nomination Committee, broadly includes the following:

1. Considering all matters as are required to be considered by the Remuneration Committee, including determining the remuneration packages for executive directors;
2. Performing all such functions as are required to be performed by the Committee with regard to ESOPs under the Securities and Exchange Board of India (SEBI) Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999;

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

3. Performing all such functions as are required to be performed by the Nomination Committee as per the requirements of Reserve Bank of India;
4. Such other matters as may be delegated by the Board of Directors of the Company from time to time.

### Composition and Attendance at Meetings:

The Compensation and Nomination Committee comprises of following four Members out of which three Members are Independent Directors:

- Mr. N. C. Singhal - Chairman (Independent Director)
- Mr. Hemang Raja\* - Member (Independent Director)
- Mr. M S Sundara Rajan\* - Member (Independent Director)
- Mr. Vishal Mahadevia - Member (Non Executive Director)

\* Mr. Hemang Raja and Mr. M S Sundara Rajan were appointed as Members with effect from April 12, 2013.

During the year under review, the Committee met five times, i.e. on May 29, 2012; September 28, 2012; November 5, 2012; November 21, 2012 and February 6, 2013. The details of the attendance of Directors at meeting(s) of the Committee held during the financial year are as under:

Name	Number of Compensation and Nomination Committee Meeting(s) Attended
Mr. G.N. Bajpai *	2
Mr. Shailesh Haribhakti *	1
Mr. V. Vaidyanathan #	3
Mr. Pradeep Mukerjee **	5
Mr. Anil Singhvi ^&@	3
Mr. N. C. Singhal ^	3
Mr. Vishal Mahadevia ^	3
Mr. Hemang Raja ^^	N.A.
Mr. M S Sundara Rajan ^^	N.A.

\* Mr. G. N. Bajpai and Mr. Shailesh Haribhakti ceased to be Members with effect from September 28, 2012.

# Mr. V. Vaidyanathan ceased to be Member with effect from November 21, 2012.

\*\* Mr. Pradeep Mukerjee ceased to be Member with effect from February 6, 2013.

^ Mr. Anil Singhvi, Mr. N. C. Singhal and Mr. Vishal Mahadevia were appointed as Members with effect from October 30, 2012.

@ Mr. Anil Singhvi ceased to be a Member with effect from April 12, 2013

^^ Mr. Hemang Raja and Mr. M S Sundara Rajan were appointed as Members with effect from April 12, 2013.

N.A. i.e. Not Applicable denotes that the concerned Directors were not Members of the Committee at the time of respective Meetings.

The minutes of the Meeting of Compensation and Nomination Committee forms part of the documents placed before the Meetings of the Board.

### Remuneration Policy:

#### i) Non-Executive Directors' Compensation

The Company pays sitting fees of ₹ 20,000/- per Meeting to the Non-Executive Independent Directors for attending Meetings of the Board and/or its Committees. Pursuant to the approval given by the Members of the Company vide Special Resolution passed at the Extraordinary General Meeting held on August 27, 2010, under Section 309 and other applicable provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company may remunerate Non-Executive Directors by way of Commission as per the limits specified therein.

#### ii) Executive Directors' Compensation

The compensation of the Executive Director(s) comprises of a fixed component and a performance incentive in the form of Performance Bonus. The compensation has been determined based on the level of responsibility, prior experience & remuneration and prevailing industry standards in respect of remuneration. The Company has not granted any Stock Options to Mr. V. Vaidyanathan, Chairman & Managing Director during the financial year 2012-13.

### Remuneration and period of contract of the Managing Director

Mr. V. Vaidyanathan, Chairman & Managing Director is appointed for a period of five years with effect from August 10, 2010 to August 9, 2015. During the year under review the Company has revised his remuneration *vide* agreement dated November 30, 2012 for the remaining tenure of his term. In the year 2012-13, Mr. Vaidyanathan voluntarily offered to the Compensation and Nomination Committee of the Board that he would like to forgo his annual bonus for the year FY 12-13 in the large interest of the company. The board thanked him for this gesture and appreciated the excellent leadership provided by him in the face of exceptionally challenging circumstances during the year.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

Details of remuneration paid to Mr. Vaidyanathan is as per table given below.

Details of Equity Shares & Stock Options held and remuneration of Directors for the year ended March 31, 2013.

(Amt. in ₹)

Name of the Director	Equity Shares held	Stock Options Held	Sitting Fees	Gross Remuneration	Commission	Total
Mr. Kishore Biyani	Nil	-	100,000	N.A.	Nil	1,00,000
Mr. V. Vaidyanathan	*181,391	991,000	-	33,333,333	Nil	33,333,333
Mr. G. N. Bajpai	N.A.	-	220,000	N.A.	600,000	8,20,000
Mr. Shailesh Haribhakti	N.A.	-	160,000	N.A.	600,000	760,000
Mr. N. C. Singhal	-	-	340,000	N.A.	1,200,000	1,540,000
Mr. Anil Singhvi	-	-	400,000	N.A.	1,200,000	1,600,000
Mr. Pradeep Mukerjee	-	-	320,000	N.A.	1,000,000	1,320,000
Mr. Krishan Kant Rathi	-	**200,000	220,000	N.A.	Nil	220,000
Mr. Vishal Mahadevia	-	-	-	N.A.	Nil	Nil
Mr. Hemang Raja	-	-	20,000	N.A.	100,000	120,000
Mr. M S Sundara Rajan	-	-	20,000	N.A.	100,000	120,000

\* As on March 31, 2013, JV and Associates LLP, in which Mr. V. Vaidyanathan is a partner, was holding 4,773,795 equity shares of the Company.

\*\* 200,000 Stock Options granted to Mr. Krishan Kant Rathi lapsed in April 2013 due to cessation as Director and non exercise of stock options.

### SHAREHOLDERS'/INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

#### Terms of reference:

The terms of reference of the Shareholders'/Investors' Grievances and Share Transfer Committee *inter alia* includes carrying out such functions for redressal of the shareholders' and investors' complaints, including but not limited to, transfer of shares, non-receipt of annual report, non-receipt of dividend and any other grievance that a shareholder or investor of the Company may have against the Company. The Committee also oversees and approves Transfer/Transmission/Dematerialisation of shares, issue of Duplicate/Consolidated/Split Share Certificate(s) etc.

The Company has appointed M/s. Link Intime India Private Limited as its Registrar and Share Transfer Agent (RTA). The Shareholders'/Investors' Grievances and Share Transfer Committee also oversees the performance of the RTA and recommends measures for overall improvement in the quality of investor services.

#### Composition:

The Shareholders'/Investors' Grievances and Share Transfer Committee comprises of the following three Members and one of them is an Independent Director:

- Mr. Hemang Raja \* - Chairman (Independent Director)
- Mr. Anil Singhvi \* - Member (Independent Director)
- Mr. V. Vaidyanathan - Member (Executive Director)

\* Mr. Hemang Raja and Mr. Anil Singhvi were appointed as Members with effect from April 12, 2013.

Mr. Satish Gaikwad, Company Secretary, acts as Secretary to the Committee and is also the Compliance Officer of the Company.

During the year under review, the Committee met four times, i.e. on May 25, 2012; July 30, 2012; November 5, 2012 and February 6, 2013. The details of the attendance of Directors at meeting(s) of the Committee held during the financial year are as under:

Name	Number of Compensation and Nomination Committee Meeting(s) Attended
Mr. Pradeep Mukerjee *	4
Mr. Krishan Kant Rathi *	2
Mr. V. Vaidyanathan	4
Mr. Anil Singhvi ^	NA
Mr. Hemang Raja ^	NA

\* Mr. Pradeep Mukerjee and Mr. Krishan Kant Rathi ceased to be Members with effect from February 6, 2013.

^ Mr. Anil Singhvi and Mr. Hemang Raja were appointed as Members with effect from April 12, 2013.

N.A. i.e. Not Applicable denotes that the concerned Directors were not Members of the Committee at the time of respective Meetings.

The minutes of the Shareholders'/Investors' Grievances and Share Transfer Committee Meetings forms part of documents placed before the Meetings of the Board of Directors.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

The equity shares of the Company are listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). As on March 31, 2013, the Company has approximately 132,508 shareholders and during the year, the Company has not received any request for transfer of equity shares in the physical form.

At the beginning of the year, 4 complaints/correspondences were pending. During the year under review, the Company and M/s. Link Intime India Private Limited, the Registrar and Share Transfer Agent, received 34 complaints/correspondence (arising out of IPO and also related to Dividend). Out of the total complaints, 36 complaints were resolved/replied during the year and 2 Consumer Dispute Redressal Forum cases are "Subjudice" and are hence treated as pending.

### CODE OF CONDUCT

The Company has adopted the Code of Conduct for Directors and Senior Management (Code). The Code has been circulated

to all the Members of the Board and Senior Management and the same has been put on the Company's website i.e. www.capfirst.com. The Board of Directors and Senior Management have affirmed their compliance with the Code and a declaration signed by the Chairman & Managing Director of the Company forms part of the Annual Report.

### GENERAL BODY MEETINGS:

#### Details of General Meetings

During last three years, three Annual General Meetings i.e. fifth, sixth and Seventh Annual General Meetings of the Company, one Extraordinary General Meeting and One Court Convened Meetings of the equity shareholders were held. The details of the Meetings and the Special Resolutions passed thereat are as follows:

General Meeting	Date, Time and Venue	Special Resolutions passed
Fourth Annual General Meeting	August 4, 2009, at 3:30 p.m. at M. C. Ghia Hall, Bhogilal Harigovinddas Building, 2nd Floor, 18/20, K. Dubash Marg, Kalaghoda, Fort, Mumbai – 400 001.	<ul style="list-style-type: none"> <li>a) Special Resolution under Section 81(1A) of the Companies Act, 1956 for issue and allotment of equity shares through depository receipts in the course of one or more international or domestic public offerings and/or private placement basis in domestic and/or one or more international market(s).</li> <li>b) Ratification of pre-IPO FCH Employee Stock Option Scheme – 2007 and modification thereof.</li> <li>c) Ratification of pre-IPO FCH Employee Stock Option Scheme – 2007, in respect of employees of Holding Company and/or Subsidiary Company(ies) and modification thereof.</li> <li>d) Modification of FCH Employee Stock Purchase Scheme – 2008.</li> <li>e) Modification of FCH Employee Stock Purchase Scheme – 2008, in respect of employees of Holding Company and/or Subsidiary Company(ies).</li> <li>f) Modification of FCH Employee Stock Options Scheme – 2008.</li> <li>g) Modification of FCH Employee Stock Options Scheme – 2008, in respect of employees of Holding Company and/or Subsidiary Company(ies).</li> <li>h) Approval for FCH Employee Stock Option Scheme – 2009.</li> <li>i) Approval for FCH Employee Stock Option Scheme – 2009, in respect of employees of Holding Company and/or Subsidiary Company(ies).</li> </ul>

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

General Meeting	Date, Time and Venue	Special Resolutions passed
Fifth Annual General Meeting	August 9, 2010, at 2:30 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	a) Appointment of Mr. Krishan Kant Rathi as the Manager. b) Grant of 200,000 Stock Options to Mr. Krishan Kant Rathi under FCH ESOS – 2008.
Extra Ordinary General Meeting	August 27, 2010, at 2:30 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	a) Appointment and remuneration of Mr. V. Vaidyanathan as the Managing Director of the Company. b) Preferential allotment of 8,000,000 warrants to Mr. Kishore Biyani each convertible into one Equity Share of the Company. c) Preferential allotment of 2,000,000 warrants to Mr. V. Vaidyanathan each convertible into one Equity Share of the Company. d) Payment of commission to Non-Executive Directors of the Company.
Court Convened Meeting of Equity Shareholders	February 17, 2011, at 2:30 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	Resolution with the requisite majority pursuant to provisions of Sections 391 to 394 read with Sections 78 and 100 to 103 of the Companies Act, 1956, for approving the Scheme of Arrangement between the Company and Future Capital Financial Services Limited and their respective shareholders.
Sixth Annual General Meeting	August 17, 2011, at 4:00 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	None
Seventh Annual General Meeting	September 25, 2012, at 3:00 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	a) Increase in borrowing limits b) Change in Name of the Company c) Alteration of Articles of Association

### Postal Ballot

In accordance with Section 192A and other applicable provisions of the Companies Act, 1956 and the Companies (Passing of Resolution through Postal Ballot) Rules, 2001, following Ordinary Resolution and Special Resolutions were passed vide Postal Ballot result declared on July 5, 2012:

- Reclassification of Authorised Share Capital of the Company;
- Approval for Preferential Issue of Compulsorily Convertible Preference Shares (“CCPS”)/Equity shares;
- Approval of Employees Stock Option Scheme 2012 (ESOS- 2012) for employees of the Company; and
- Approval of Employees Stock Option Scheme 2012 (ESOS- 2012) for employees of the Subsidiaries.

#### (a) Scrutinizer

The Board of Directors appointed Ms. Chitra Natesh Iyer, a Practicing Company Secretary, as the Scrutinizer for conducting the postal ballot process in a fair and transparent manner. Ms. Iyer conducted the process and submitted her report to the Chairman.

#### (b) Procedure followed

- The postal ballot notice and other related documents were dispatched to the shareholders under registered post acknowledgement due.
- A calendar of events along with Board Resolution was submitted with the Registrar of Companies, Maharashtra, Mumbai.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

- iii. The result of the postal ballot was announced by the then Vice Chairman & Managing Director, at the registered office of the Company and was posted on the website of the Company on July 5, 2012.

### (c) Details of voting pattern

After scrutinizing all the ballot forms received, the Scrutinizer reported that the Ordinary Resolution and Special Resolutions were passed by the Members with overwhelming majority, as per the below voting pattern,

- (i) Reclassification of Authorised Share Capital of the Company, by way of an **Ordinary Resolution**:

In favour			Against			Neutral			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
285	4,12,73,542	99.996%	36	1,800	0.004%	0	0	0	4,12,75,342

Accordingly, the resolution mentioned above has been passed with the requisite majority.

- (ii) Approval for Preferential Issue of Compulsorily Convertible Preference Shares ("CCPS")/Equity shares, by way of a **Special Resolution**:

In favour			Against			Neutral			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
276	4,12,73,503	99.996%	38	1766	0.004%	7	73	0	4,12,75,342

Accordingly, the resolution mentioned above has been passed with the requisite majority.

- (iii) Approval of Employees Stock Option Scheme 2012 (ESOS-2012) for Employees of the Company, by way of a **Special Resolution**:

In favour			Against			Neutral			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
256	4,03,60,799	97.784%	58	9,14,470	2.216%	7	73	0	4,12,75,342

Accordingly, the resolution mentioned above has been passed with the requisite majority.

- (iv) Approval of Employees Stock Option Scheme 2012 (ESOS-2012) for employees of the Subsidiaries, by way of a **Special Resolution**:

In favour			Against			Neutral			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
250	4,03,60,567	97.784%	64	9,14,702	2.216%	7	73	0	4,12,75,342

Based on the above voting, the result of the Postal Ballot was declared by the then Vice Chairman & Managing Director of the Company on July 5, 2012.

### DISCLOSURES:

#### i) Related Party Transactions

The Company has no material significant transactions with its related parties that may have a potential conflict with the interest of the Company. The details of transaction between the Company and the related parties are given for information under Notes to the Financial Statement for the year ended March 31, 2013.

#### ii) No Penalty or strictures

There has been no instance of non-compliance by the Company on any matter relating to the capital markets and accordingly no penalties have been levied or strictures have been passed by the Securities & Exchange Board of India or Stock Exchanges or any other statutory authority.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### iii) Disclosure of accounting treatment

In the preparation of the financial statements, the Company has followed all the applicable Accounting Standards laid down by the Institute of Chartered Accountants of India.

### iv) Disclosures on Risk Management

The Company has laid down procedures to inform the Members of the Board about the risk assessment and minimisation procedures. A Risk Management Committee consisting of the Directors and the senior executives of the company reviews these procedures to ensure that executive management controls risk through the means of a properly defined framework.

### v) CEO / CFO Certification

In accordance with Sub-Clause V of Clause 49 of the Listing Agreement, a certificate from the Chairman & Managing Director and Chief Financial Officer & Head Corporate Centre was placed before the Board.

### vi) Appointment / Re-appointment of Directors

The details in respect of the Director proposed to be re-appointed are provided in the Directors' Report.

### vii) Management Discussion and Analysis

The Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under clause 49(IV)(F) of the Listing Agreement.

### MEANS OF COMMUNICATION:

Quarterly/annual audited/unaudited financial results are regularly submitted to all the Stock Exchanges where the shares of the Company are listed in accordance with the Listing Agreement

and published in a prominent English daily newspaper and in a regional language newspaper. The quarterly/annual results are also displayed on the Company's website www.capfirst.com soon after their declaration.

### GENERAL SHAREHOLDER INFORMATION:

#### 1. Annual General Meeting:

- Date and Time : Thursday, August 22, 2012; 3:00 p.m.
- Venue : Mini Theatre, 3<sup>rd</sup> Floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025

#### 2. Tentative Financial

- : The financial year of the Company is from April 1 to March 31 of the following year.
- First Quarter Results : First week of August, 2013
- Second Quarter Results : Second week of November, 2013
- Third Quarter Results : First week of February, 2014
- Fourth Quarter Results : Mid/Last week of May, 2014

#### 3. Dates of Book Closure

- : August 17, 2013 to August 22, 2013 (Both days inclusive)

#### 4. Dividend Payment Date

- : On or after August 23, 2013

#### 5. Listing on Stock Exchanges

- : BSE Limited (BSE)
- : Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
- : National Stock Exchange of India Ltd (NSE) Exchange Plaza, 5<sup>th</sup> Floor, Plot No.C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

#### 6. Listing Fees

- : Listing fees of both the Stock Exchanges for the year 2012-13 have been paid.

#### 7. Stock Code

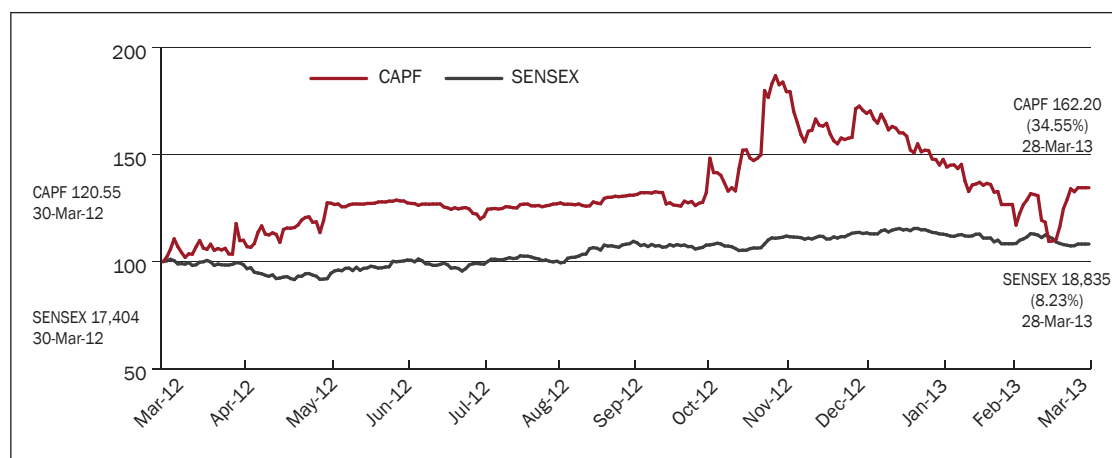
- BSE : 532938
- NSE : CAPF
- International Securities Identification Number (ISIN) : INE688I01017

### 8. Market Price Data during the financial year ended March 31, 2013

Month	BSE		NSE	
	High	Low	High	Low
April, 2012	143.30	120.25	143.80	120.20
May, 2012	148.60	125.55	147.70	125.60
June, 2012	155.40	136.10	155.45	136.25
July, 2012	156.85	147.15	157.95	147.30
August, 2012	154.80	143.60	154.55	143.60
September, 2012	157.90	151.25	157.80	151.40
October, 2012	160.35	147.90	160.50	147.00
November, 2012	234.80	151.65	234.95	151.15
December, 2012	231.30	185.00	231.00	186.10
January, 2013	218.65	179.00	218.00	179.00
February, 2013	195.00	150.00	184.95	149.95
March, 2013	165.60	130.10	167.20	129.15

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

Performance of share price in comparison with BSE Sensex:



### 9. Distribution of Shareholdings as at March 31, 2013:

Sr. No.	Shareholding Nominal Value of		Shareholders		Share Amount	
	₹	₹	Number	% to Total	In ₹	% to Total
	(1)	(2)	(2)	(3)	(4)	(5)
1	Upto -	5,000	131,455	99.21	25,328,300	3.57
2	5,001 -	10,000	520	0.39	4,075,490	0.57
3	10,001 -	20,000	233	0.18	3,438,170	0.48
4	20,001 -	30,000	80	0.06	2,039,860	0.29
5	30,001 -	40,000	33	0.02	1,176,050	0.17
6	40,001 -	50,000	37	0.03	1,713,750	0.24
7	50,001 -	1,00,000	81	0.06	5,761,040	0.81
8	1,00,001 and above		69	0.05	666,710,580	93.87
	<b>Total</b>		<b>132,508</b>	<b>100.00</b>	<b>710,243,240</b>	<b>100.00</b>

### 10. Categories of Shareholdings as on March 31, 2013 :

Category	No. of Shares	%
Promoters & their relatives	50,124,261	70.57
Mutual Funds and UTI	367	0.00
Banks, Financial Institutions, Insurance Companies	130,652	0.18
Foreign Institutional Investors	640,814	0.90
Bodies Corporate	13,590,655	19.14
Indian Public	5,410,158	7.62
Non Resident Individuals	1,037,163	1.46
Others*	90,254	0.13
<b>Total</b>	<b>71,024,324</b>	<b>100.00</b>

\* Includes Clearing members and Trusts



## REPORT ON CORPORATE GOVERNANCE (CONTD.)

11. Registrar and Share Transfer Agents : Link Intime India Private Limited  
 (Formerly Intime Spectrum Registry Limited),  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup (West),  
 Mumbai - 400 078.  
 Tel No.: +91 22 2594 6970  
 Fax No.: +91 22 2594 6969  
 E-mail : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
 Website: [www.linkintime.co.in](http://www.linkintime.co.in)
12. Dematerialisation of shares and liquidity : Equity Shares of the Company are under compulsory Demat trading. As on March 31, 2013, a total of 67,937,668 equity shares aggregating to 95.65% of the total issued, subscribed and paid – up equity share capital of the Company, are in dematerialised form.
13. Outstanding GDRs/ADRs/Warrants or any Convertible instruments : Nil
14. Plant Locations : Not Applicable
15. Address for correspondence : Registrar and Transfer Agent  
**Link Intime India Private Limited**  
 (Formerly Intime Spectrum Registry Limited),  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup (West),  
 Mumbai - 400 078.  
 Tel No.: +91 22 2594 6970  
 Fax No.: +91 22 2594 6969  
 E-mail : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
 Website: [www.linkintime.co.in](http://www.linkintime.co.in)  
  
**Mr. Satish Gaikwad**  
 Company Secretary  
 Capital First Limited  
 Indiabulls Finance Centre,  
 15<sup>th</sup> Floor, Tower-2,  
 Senapati Bapat Marg, Elphinstone (West), Mumbai – 400 013.  
 Tel. No.: 022-4042 3400;  
 Fax No.: 022- 4042 3401
16. Designated E-mail ID : [secretarial@capfirst.com](mailto:secretarial@capfirst.com)
17. Pursuant to the requirements of the Circular dated April 24, 2009, issued by the Securities & Exchange Board of India (“SEBI”) and in accordance with Clause 5A of the Listing Agreement, 2 shareholders approached the Company during the year for transfer of 8 shares each, aggregating to total 16 shares, from the unclaimed suspense account and the said shares were transferred to them. As on March 31, 2013, 370 shareholders holding in aggregate 2960 shares are outstanding in unclaimed suspense a/c. of the Company. The Company has opened a separate demat suspense account and has credited the said unclaimed shares in compliance with requirements of the said SEBI Circular/Clause 5A of the Listing Agreement. All the corporate benefits in terms of securities, accruing on these unclaimed shares shall be credited to such account. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

The extent of compliance in respect of non-mandatory requirements is as follows:

**i. Chairman of the Board**

No specific tenure has been specified for the Independent Directors. However, they are liable to retire by rotation and seek re-appointment by the Members.

**ii. Remuneration Committee**

Please refer to the details given under "Compensation and Nomination Committee".

**iii. Shareholders' Rights**

The equity shares of the Company are listed on the Stock Exchanges with effect from February 1, 2008. The Company has not yet commenced sending half yearly financial performance to each household of the shareholders.

**iv. Audit Qualifications**

There are no audit qualifications in the financial statements for the financial year 2012-13. Standard practices and procedures are in place to ensure unqualified financial statements.

**v. Training of Board Members**

The Directors interact with the management in a very free and open manner on information that may be required by them for orientation with the business of the Company.

**vi. Mechanism for evaluating Non-executive Board Members**

The evaluation process is yet to be formulated by the Board.

**vii. Whistle Blower Policy**

The Company has formulated a Whistle Blower Policy. The policy comprehensively provides an opportunity for any employee of the Company to raise any issue concerning breaches of law, accounting policies or any act resulting in financial or reputation loss and misuse of office or suspected or actual fraud. The policy provides for a mechanism to report such concerns to the Audit Committee through specified channels. The policy has been periodically communicated to the employees and also posted on the Company's intranet.

Place : Mumbai

Date : May 27, 2013

## CODE OF CONDUCT - DECLARATION

In accordance with Sub-Clause 1(D) of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, I confirm that the Members of the Board of Directors and the Senior Management personnel of Capital First Limited have affirmed compliance with the Company's Code of Conduct for the financial year 2012-13.

**For Capital First Limited**

**V. Vaidyanathan**

Chairman & Managing Director

Place : Mumbai

Date : May 27, 2013

## CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,

**The Members**

**Capital First Limited (formerly Future Capital Holdings Limited)**

We have examined the compliance of conditions of corporate governance by **Capital First Limited (formerly Future Capital Holdings Limited)** (the "Company"), for the year ended on March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For SVJS & Associates,  
Company Secretaries,**

**CS. Sivakumar P.**

Managing Partner

CP No: 2210

Place : Kochi

Date : May 27, 2013



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# INDEPENDENT AUDITOR'S REPORT

To the Members of Capital First Limited (Formerly known as Future Capital Holdings Limited)

## Report on the Financial Statements

We have audited the accompanying financial statements of Capital First Limited (Formerly known as Future Capital Holdings Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

## INDEPENDENT AUDITOR'S REPORT (CONTD.)

2. As required by Section 227(3) of the Act, we report that:
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956; and
  - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S. R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm Registration No.: 301003E

per Shrawan Jalan

Partner

Membership No. 102102

Place : Mumbai

Date : May 27, 2013

## ANNEXURE TO AUDITOR'S REPORT

The Annexure referred to in our report to the members of Capital First Limited (Formerly known as Future Capital Limited) ('the Company') for the year ended March 31, 2013. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under Paragraph 4(ii) of the Order are not applicable to the Company.
- (iii) (a) The Company has granted loan to three Companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 35,277.10 lakhs. However the year-end balances of loans granted to such parties was ₹ Nil, since all these three Companies ceases to be covered under Section 301 in accordance with the Companies Act, 1956.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanation provided by the management we are of the opinion that the particulars of contract or arrangement referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transaction made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

## ANNEXURE TO AUDITOR'S REPORT

- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the products of the Company.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, and other material statutory dues applicable to it. The provisions relating to employees' state insurance, customs duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the informations and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has issued 2,000 Secured Redeemable Non-Convertible Debentures of ₹ 10 lakhs each. The Company has created security or charge in respect of secured debentures.
- (xx) The Company has not raised any money by public issues during the year.



## ANNEXURE TO AUDITOR'S REPORT

(xii) We have been informed that *certain employees of the Company in collusion with third parties including customers had misappropriated funds amounting to ₹ 405.51 lakhs by falsifying gold loan documents and tendering fake gold as security during the year under audit.* The Company has initiated legal proceedings for recovery of the said amount against the said customer and employees from whom gold was seized which is still lying with police custody. Although the Company has also filed an insurance claim for claiming the loss, it has written off the entire loan amount aggregating to ₹ 405.51 lakhs (Refer note 46 of the Financial Statement).

For S. R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm Registration No.: 301003E

per Shrawan Jalan

Partner

Membership No. 102102

Place : Mumbai

Date : May 27, 2013

**BALANCE SHEET AS AT MARCH 31, 2013**

₹ in Lakhs

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	7,041.46	6,449.85
Reserves and Surplus	4	87,153.27	74,596.57
		94,194.73	81,046.42
<b>Non-Current Liabilities</b>			
Long term borrowings	5	445,215.32	272,033.61
Other Long term liabilities	6	2,893.21	1,092.93
Long term provisions	7	8,219.05	9,748.04
		456,327.58	282,874.58
<b>Current Liabilities</b>			
Short term borrowings	8	109,376.55	115,223.51
Trade payables	9	5,275.15	4,087.87
Other current liabilities	10	85,051.57	77,987.59
Short term provisions	11	4,670.09	4,126.30
		204,373.36	201,425.27
<b>TOTAL</b>		<b>754,895.67</b>	<b>565,346.27</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
- Tangible assets	12	2,400.35	2,122.63
- Intangible assets	12	565.16	215.53
- Capital Work in Progress		-	198.40
- Intangible assets under development		-	140.37
		2,965.51	2,676.93
Non current investments	13	19,008.22	26,426.76
Deferred tax assets (Net)	14	770.94	679.96
Long term loans and advances	15	395,776.07	274,196.16
Other Non current assets	16	21,544.55	15,321.43
		440,065.29	319,301.24
<b>Current Assets</b>			
Current Investments	17	6,857.14	6,068.37
Trade receivables	18	1,399.42	464.07
Cash and Bank Balances	19	115,211.83	49,550.32
Short term loans and advances	20	181,479.42	183,890.32
Other current assets	21	9,882.57	6,071.95
		314,830.38	246,045.03
<b>TOTAL</b>		<b>754,895.67</b>	<b>565,346.27</b>
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**ICAI Firm Registration No. 301003E  
Chartered Accountants**per Shrawan Jalan**Partner  
Membership No. 102102  
Place : Mumbai  
Date : May 27, 2013For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)**V. Vaidyanathan**  
Chairman &  
Managing Director**N. C. Singhal**  
Director**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate CentrePlace : Mumbai  
Date : May 27, 2013**Satish Gaikwad**  
Company Secretary

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	Note No.	₹ in Lakhs	
		For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue from operations	22	79,814.75	70,191.83
Other Income	23	190.66	84.41
<b>Total Revenue</b>		<b>80,005.41</b>	<b>70,276.24</b>
<b>EXPENSES</b>			
Employee benefits expense	24	13,077.44	7,958.76
Finance costs	25	48,846.60	39,563.03
Depreciation and Amortisation expense	26	563.23	298.13
Other expenses	27	12,105.85	8,945.11
<b>Total Expenses</b>		<b>74,593.12</b>	<b>56,765.03</b>
<b>Profit before exceptional items and tax</b>		<b>5,412.29</b>	<b>13,511.21</b>
Exceptional items	28	2,432.10	-
<b>Profit before tax</b>		<b>7,844.39</b>	<b>13,511.21</b>
<b>Tax expense:</b>			
- Current tax [Includes tax of earlier years ₹ 10.66 lakhs (Previous Year: ₹ Nil)]		1,616.36	4,447.00
- Minimum Alternative Tax (MAT) Credit entitlement		(658.37)	-
- Deferred tax credit (Refer note no. 42)		(90.98)	(155.06)
		<b>867.01</b>	<b>4,291.94</b>
<b>Profit for the year</b>		<b>6,977.38</b>	<b>9,219.27</b>
<b>Earning per equity share:</b>			
- Basic (₹)	29	10.49	14.23
- Diluted (₹)		10.44	14.23
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**

ICAI Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**

Partner  
Membership No. 102102  
Place : Mumbai  
Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**  
Chairman &  
Managing Director

**N. C. Singhal**  
Director

**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai  
Date : May 27, 2013

**Satish Gaiwad**  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash Flow From Operating Activities</b>		
Profit Before Tax	7,844.39	13,511.21
Adjustments for :		
Depreciation/ amortisation	563.23	298.13
Excess provision written back	(72.40)	-
Bad loans and trade receivables written off	1,100.91	702.65
Provision for diminution in value of investments	-	350.00
Provision for standard assets	270.29	487.00
Provision for doubtful loans and advances	(108.68)	85.28
Provision for employee benefits	116.75	157.49
(Profit)/Loss on sale of investments (net)	(2,432.10)	200.37
Loss/(profit) on sale of fixed assets	220.56	-
Interest on Investments	(1,818.37)	(811.24)
	(2,159.81)	1,469.68
<b>Operating Profit Before Working Capital Changes</b>	<b>5,684.58</b>	<b>14,980.89</b>
<b>Adjustment for changes in working capital:</b>		
Increase in Trade Receivables	(935.35)	(3,957.36)
Increase in Loans and Advances	(118,944.52)	(160,546.76)
Increase in Other Assets	(13,033.74)	(22,326.63)
Increase in Trade payables and other liabilities	8,424.80	43,219.15
Cash used in operations	(118,804.23)	(128,630.71)
Direct taxes paid (net of refund)	(2,675.40)	(4,695.54)
<b>Net Cash used in Operating Activities</b>	<b>(121,479.63)</b>	<b>(133,326.25)</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets including intangible assets and Capital Work in progress	(1,089.02)	(2,444.90)
Sale proceeds from fixed assets	16.68	-
Purchase of investments	(17,512.78)	(27,953.05)
Sale proceeds from investments	26,647.05	23,372.55
Interest received on Investments	1,818.37	811.24
<b>Net Cash generated from/(used in) Investing Activities</b>	<b>9,880.30</b>	<b>(6,214.16)</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Share Capital	313.94	-
Proceeds from issue of Compulsorily convertible Preference Shares	308.64	-
Proceeds from Securities Premium on issue of Equity Share Capital	4,760.14	-
Proceeds from Securities Premium on issue of Compulsorily convertible Preference Shares	4,691.36	-
Payment of securities issue expenses	(2,015.44)	-
Payment of dividend	(971.98)	(975.53)
Payment of dividend tax	(157.68)	(157.64)
Refund of share application money	(2.88)	-
Proceeds from Long term borrowings	173,181.71	198,875.00
Repayment of Long term borrowings	-	(40,984.79)
Proceeds from Short term borrowings	54,756.00	169,840.00
Repayment of Short term borrowings	(60,602.97)	(171,491.13)
<b>Net Cash generated from Financing Activities</b>	<b>174,260.84</b>	<b>155,105.91</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Net increase in Cash and Cash Equivalents during the year</b>	<b>62,661.51</b>	<b>15,565.50</b>
Cash and Cash equivalents at beginning of the year	49,550.32	33,984.82
<b>Cash and Cash equivalents at the end of the year</b>	<b>112,211.83</b>	<b>49,550.32</b>

	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>Cash and Cash equivalents comprises of :</b>		
Cash in Hand	1,602.42	1,026.35
Balance with Banks:		
- in unpaid dividend accounts (Refer note 3 below)	8.83	5.98
- in unpaid share application money (Refer note 3 below)	20.24	23.12
- in current accounts	90,580.34	48,494.87
- in fixed deposits with banks	20,000.00	-
<b>Total</b>	<b>112,211.83</b>	<b>49,550.32</b>

### Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) - 3 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents in the balance sheet comprises of Cash in hand and Cash at bank.
- The balances are not available for use by the Company as they represent corresponding unpaid dividend liability and unpaid share application money.

As per our report of even date

### For S.R. BATLIBOI & CO. LLP

ICAI Firm Registration No. 301003E  
Chartered Accountants

### per Shrawan Jalan

Partner  
Membership No. 102102  
Place : Mumbai  
Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**  
Chairman &  
Managing Director

**N. C. Singhal**  
Director

**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai  
Date : May 27, 2013

**Satish Gaikwad**  
Company Secretary

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 1. CORPORATE INFORMATION

Capital First Limited (Formerly known as Future Capital Holdings Limited) (the 'Company' or 'CFL') is a public Company domiciled in India and incorporated on October 18, 2005 under the provisions of the Companies Act 1956. The Company has received a Certificate of Registration from the Reserve Bank of India ('RBI') on April 10, 2006 to commence / carry on the business of Non-Banking Financial Institution ('NBFC') without accepting public deposits.

The Board at its Meeting held on June 4, 2012 had approved the execution of Share Purchase Agreement (SPA) with Pantaloon Retail (India) Limited, Future Value Retail Limited, Mr. Kishore Biyani and Cloverdell Investment Ltd. ("Cloverdell") and also the execution of Share Subscription Agreement (SSA) with Cloverdell pursuant to which open offer was also proposed by Cloverdell. Consequently, the Board of Directors at its Meeting held on September 28, 2012 allotted 3,086,420, 0.01% Compulsorily Convertible Preference Shares ('CCPS') each convertible into equal number of equity shares of the Company of ₹ 10/- each, at the premium of ₹ 152/- each and 3,086,420 Equity Shares of ₹ 10/- each, at the premium of ₹ 152/- each to Cloverdell Investment Limited on preferential basis.

The Compulsorily Convertible Preference Shares were converted to 3,086,420 equity shares of ₹ 10/- each fully paid up at a premium of ₹ 152 per share vide Board resolution passed by circulation on March 14, 2013.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared to comply in all material respects with the notified Accounting Standard ('AS') by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 (the 'Act') and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The financial statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards (AS) are followed by the Company insofar as they are not inconsistent with the NBFC Regulation.

The accounting policies adopted in the preparation of Financial Statements are consistent with those used in the previous year except for the change in Accounting Policy explained in Point No 2.1 (a).

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Change in Accounting Policy

1. During the year ended March 31, 2013, the Company has changed its accounting policy related to provisioning for non-performing gold loans and consumer durable loans. Consequent to the change in accounting policy, provision & write off for the year ended March 31, 2013 is lower by ₹ 1,856.45 lakhs in respect of gold loans and higher by ₹ 129.96 lakhs in respect of consumer durable loans. As a result net provisions and write off for the year ended March 31, 2013 is lower by ₹ 1,726.49 lakhs. The current provision based on the revised accounting policy meets the minimum provisioning norms as stipulated by RBI.
2. During the year ended March 31, 2013, the Company has changed its accounting policy related to fee income on wholesale loans and ancillary borrowing cost. As per the new policy the Company will amortise the fee income on wholesale loans over the tenure of loan and ancillary borrowing cost over the tenure of borrowings. Consequent to the change in accounting policy, the profits for the year ended March 31, 2013 is higher by ₹ 605.12 lakhs.
3. During the year ended March 31, 2013, the Company adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. Accordingly, the income from assignment transactions during the year ended March 31, 2013, is lower by ₹ 1,284.87 lakhs on account of change in the method of deferral of recognition of income, prescribed in the revised guidelines issued by the RBI.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

**(b) Current/Non Current classification of assets and liabilities**

As required by Revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

**(c) Use of estimates**

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

**(d) Tangible Fixed assets**

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

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

**(e) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

**(f) Depreciation on Tangible asset / Amortisation of Intangible asset**

Depreciation on tangible assets is provided using straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are depreciated on straight line basis over shorter of useful lives or primary period of lease agreements which ranges from three to five years.

Intangible assets includes domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years.

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

**(g) Loans**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### (h) Leases

#### Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight line basis over the tenure of the lease.

#### Finance Lease

*Where the Company is the lessor*

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the Internal Rate of Return ('IRR') method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

### (i) Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at the pre tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

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

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

### (j) Investments

Investments that are readily realisable and intended to be held for not more than a year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value.

### (k) Commercial Papers

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

### (l) Foreign currency transactions

#### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### (iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

### (m) Revenue recognition

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

#### Interest income

Interest income from loans is accounted for by applying interest rate implicit in the contract.

In case of non-performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

#### Income on discounted instruments

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

#### Fee income

Fee income on loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. For the agreements foreclosed/transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure/transfer through assignment.

#### Commission and brokerage income

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

#### Income from Assignment of loans and receivables

In case of assignment of loans the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration to be received as reduced by the estimated provision for loss/expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

The Company adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. As per the new policy, the income from assignment of loans and receivables will be amortised over the tenure of loans.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

#### Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

#### Profit/Loss on sale of investments

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

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(n) **Debenture issue expenses**

Debenture issue expenses are debited against securities premium account in accordance with the provisions of Section 78 of the Companies Act, 1956.

(o) **Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

**Gratuity**

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

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the Statement of Profit and Loss in the period in which they arise.

(p) **Leave encashment**

Earned leave during the financial year and remaining unutilized will be encashed at the yearend based on basic salary. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

(q) **Borrowing costs**

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

(r) **Loan origination cost**

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

(s) **Income Taxes**

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit and Loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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

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

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961*, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### (t) Provisioning/write-off of assets

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

Provision on standard assets is made as per the notification DNBS.PD.CC.No. 207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

The Company accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming non-performing, its recognition as such and realization of available security.

The provision on non-performing loans created by the Company is higher than as prescribed by the NBFC Regulation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Provisions and write off are made against overdue retail loans as under:

Particulars	2012- 13
<b>All Retail loans other than loan against property, Consumer Durables and Loan against Gold</b>	
90 days overdue	10% provision
120 days overdue	33% provision cumulative
150 days overdue	66% provision cumulative
180 days overdue	100% write off
Loss Assets	100% write off
<b>Consumer Durables</b>	
90 days overdue	50% provision
120 days overdue	100% write off
Loss Assets	100% write off
<b>Loan against Gold</b>	
180 days overdue	10% provision
210 days overdue	25% provision
240 days overdue	50% provision
270 days overdue	75% provision
360 days overdue	100% write off
Loss Assets	100% write off
<b>Loans against Property</b>	
90 days overdue	10% provision
180 days overdue	33% provision cumulative
360 days overdue	66% provision cumulative
720 days overdue	100% write off
Loss Assets	100% write off

*Provision on other than Retail loans*

Provision in respect of other non-performing assets is made in accordance with the NBFC Regulations.

(u) **Employee Stock Option Scheme ('ESOS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of the Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

(v) **Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(w) **Provisions**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### (x) Contingent liabilities

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

### (y) Cash and Cash Equivalents

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

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>3. SHARE CAPITAL</b>		
<b>Authorized:</b>		
103,000,000 (Previous Year: 113,000,000) Equity shares of ₹ 10/- each	10,300.00	11,300.00
10,000,000 (Previous Year: Nil) Compulsorily Convertible Preference shares ('CCPS') of ₹ 10/- each	1,000.00	-
	<b>11,300.00</b>	<b>11,300.00</b>
<b>Issued, subscribed and fully paid up:</b>		
71,024,324 (Previous Year: 64,798,484) Equity shares of ₹ 10/- each	7,102.43	6,479.85
Less: 609,713 shares (Previous Year: 300,000) held by Employee Welfare Trusts but not allotted to Employees (Refer note no. 45)	(60.97)	(30.00)
	<b>7,041.46</b>	<b>6,449.85</b>

#### a. Reclassification of authorised share capital

During the year, pursuant to the approval of the shareholders sought through Postal Ballot results of which were announced on July 5, 2012, the authorized share capital of the Company has been re-classified into 103,000,000 equity shares of ₹ 10/- each and 10,000,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, aggregating to ₹ 11,300.00 lakhs.

#### b. Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the reporting year:

	As at March 31, 2013		As at March 31, 2012	
	Number	₹ in Lakhs	Number	₹ in Lakhs
At the beginning of the reporting year	64,798,484	6,479.85	64,783,484	6,478.35
Issued during the year- Employees Stock Option Scheme	53,000	5.30	15,000	1.50
Issued during the year (Refer note no. 1)	3,086,420	308.64	-	-
Conversion of Compulsory Convertible Preference Shares into Equity Shares (Refer note no. 1)	3,086,420	308.64	-	-
<b>At the close of the reporting year</b>	<b>71,024,324</b>	<b>7,102.43</b>	<b>64,798,484</b>	<b>6,479.85</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

- c. Reconciliation of number of CCPS and amount outstanding at the beginning and at the end of the reporting year:

	As at March 31, 2013		As at March 31, 2012	
	Number	₹ in Lakhs	Number	₹ in Lakhs
At the beginning of the reporting year	-	-	-	-
Issued during the year (Refer note no. 1)	3,086,420	308.64	-	-
Conversion into Equity Shares (Refer note no. 1)	(3,086,420)	(308.64)	-	-
<b>At the close of the reporting year</b>	-	-	-	-

- d. Terms / Rights attached to Equity Shares:

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

- e. Shares held by the holding company and the subsidiary of the ultimate holding company:

	As at March 31, 2013		As at March 31, 2012	
	Number	₹ in Lakhs	Number	₹ in Lakhs
Equity shares of ₹ 10/- each				
Cloverdell Investment Ltd.	49,880,500	4,988.05	-	-
Dayside Investment Ltd.	243,761	24.38	-	-
Pantaloon Retail (India) Limited	-	-	34,779,999	3,478.00

- f. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

	As at March 31, 2013		As at March 31, 2012	
	Number	%	Number	%
Cloverdell Investment Ltd.	49,880,500	70.23%	-	-
Pantaloon Retail (India) Limited	6,479,848	9.12%	34,779,999	53.67%
JV & Associates LLP	4,773,795	6.72%	-	-

	As at	As at
	March 31, 2013	March 31, 2012
g. Securities convertible into equity shares	NIL	NIL
h. Shares reserved for issue under options for the sale of shares/disinvestment (Refer Note No. 32)	4,024,000	2,578,500
i. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceding the reporting date	NIL	NIL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>4. RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Balance as per last Balance Sheet	5,925.00	-
Add : Transferred during the year (Refer note no. 44)	-	5,925.00
	5,925.00	5,925.00
<b>Statutory Reserve pursuant to Section 45-IC of the RBI Act, 1934</b>		
Balance as per last Balance Sheet	4,238.35	2,394.50
Add : Transferred from Statement of Profit and Loss	1,395.48	1,843.85
	5,633.83	4,238.35
<b>Securities Premium Account</b>		
Balance as per last Balance Sheet	57,219.74	57,205.94
Add : Received during the year (Refer note no. 1)	9,451.50	13.80
Less : Debenture issue expenses	(2,015.44)	-
	64,655.80	57,219.74
Less : 609,713 shares (Previous Year: 300,000) held by Employee Welfare Trusts but not allotted to Employees (Refer note no. 45)	(1,457.38)	(1,096.35)
	63,198.42	56,123.39
<b>General Reserve</b>		
Balance as per last Balance Sheet	737.27	276.30
Add : Transferred from Statement of Profit and Loss	523.30	460.97
	1,260.57	737.27
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	7,572.56	1,787.77
Add: Profit for the year	6,977.38	9,219.27
Less: Appropriations:		
Transfer to statutory reserve under Section 45-IC of the RBI Act, 1934	(1,395.48)	(1,843.85)
Proposed dividend (Amount per share ₹ 1.80 (Previous year ₹ 1.50))	(1,278.44)	(971.98)
Dividend tax thereon	(217.27)	(157.68)
Transfer to general reserve	(523.30)	(460.97)
	11,135.45	7,572.56
	87,153.27	74,596.57

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

₹ in Lakhs

Particulars	Non Current Portion		Current Maturities*	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>5. LONG-TERM BORROWINGS</b>				
<b>Secured</b>				
Redeemable Non Convertible Debentures	68,910.00	51,410.00	2,500.00	-
Term Loans				
- from Banks	318,244.99	200,623.61	71,333.33	51,375.00
<b>Unsecured</b>				
Redeemable Non-Convertible Perpetual Debentures	12,500.00	-	-	-
Redeemable Non-Convertible Debentures (Subordinated debt)	15,000.00	-	-	-
Term Loans				
- from Banks (Subordinate debt)	27,497.58	20,000.00	-	-
Inter Corporate Deposits from related parties (Refer note no. 34)	3,062.75	-	-	-
	<b>445,215.32</b>	<b>272,033.61</b>	<b>73,833.33</b>	<b>51,375.00</b>

\* Amount disclosed under the head 'Other current liabilities' (Refer note no. 10)

a. **Security details for Secured Redeemable Non Convertible Debentures**

Debentures are secured by first charge on the fixed asset owned by the Company and first exclusive charge on the standard receivables of retail and corporate loan assets and other current assets of the Company.

b. **Particulars of Secured Redeemable Non-Convertible Debentures**

Particulars	Face Value (₹ in Lakhs)	Quantity	Date of Redemption	As at March 31, 2013	As at March 31, 2012
10.00% CAPFIRSTNCD Series 2	10.00	1,000	March 20, 2018	10,000.00	-
10.00% CAPFIRSTNCD Series 1	10.00	1,000	February 15, 2018	10,000.00	-
11.25%, Tranche 2	10.00	1,250	December 1, 2015	12,500.00	12,500.00
11.25%, Tranche 1	10.00	1,250	October 1, 2015	12,500.00	12,500.00
10.25%, Tranche 2-A *	10.00	60	August 31, 2015	600.00	600.00
11.00%, Tranche 2-B3	10.00	4	August 31, 2015	40.00	40.00
10.25%, Tranche 1-A *	10.00	1,251	August 16, 2015	12,510.00	12,510.00
11.00%, Tranche 1-B3	10.00	428	August 16, 2015	4,280.00	4,280.00
11.00%, Tranche 2-B2	10.00	3	February 28, 2015	30.00	30.00
11.00%, Tranche 1-B2	10.00	321	February 16, 2015	3,210.00	3,210.00
11.00%, Tranche 2-B1	10.00	3	August 31, 2014	30.00	30.00
11.00%, Tranche 1-B1	10.00	321	August 16, 2014	3,210.00	3,210.00
10.35%, Tranche 1	10.00	250	December 30, 2013	2,500.00	2,500.00
				<b>71,410.00</b>	<b>51,410.00</b>

\* These Debentures have tenure of 5 years subject to call/put option with the lender/investor to be exercised only after 3 years from the date of issue.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 5. LONG TERM BORROWINGS (Contd.)

#### c. Security details for Secured Term loans

- Term loans of ₹ Nil (Previous year: ₹ 65,002.75 lakhs) is secured by way of first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary Company and corporate guarantee of the subsidiary Company to the extent of the realisable value of the collateral security.
- Term loans of ₹ 12,979.90 lakhs (Previous Year: ₹ 19,999.82 lakhs) is secured by way of first exclusive charge on receivables of priority sector lending of the Company.
- Term loans of ₹ 330,342.72 lakhs (Previous year: ₹ 166,996.03 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.
- Term loans of ₹ 46,255.70 lakhs (Previous Year: ₹ Nil) is secured by way of first exclusive charge on receivables of the Company.

#### d. Particulars of Unsecured Redeemable Non-Convertible Perpetual Debentures

Particulars	Issue Date	Coupon	Quantity	As at	
				March 31, 2013	March 31, 2012
CAPFIRSTPEPNCD Series 1	March 8, 2013	11%	1,000	10,000.00	-
CAPFIRSTPEPNCD Series 2	March 14, 2013	11%	250	2,500.00	-
				12,500.00	-

Particulars	As at	
	March 31, 2013	March 31, 2012
Funds raised through perpetual debentures	12,500.00	-
Amount outstanding as at the end of the year	12,500.00	-
Percentage of Perpetual Debt Instrument to Total Tier I Capital	12.41%	-
Financial year in which interest on Perpetual Debt Instrument is not paid on account of Lock-in-clause	NA	NA

These Debentures have a 'Call Option' which may be exercised by the Company only after the instrument has run for a period of ten years from the date of allotment. Further, call option shall be exercised by the Company only with the prior approval of Reserve Bank of India (RBI) and as per RBI guidelines. It also have a coupon rate step-up option of 100 bps, which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of allotment of issue. On exercise of this option the coupon rate will be higher by 100 bps for subsequent years, if Call Option is not exercised by the Company. The claim of the investors shall be pari passu among themselves and with other subordinated indebtedness of the Company, superior to the claims of investors in equity shares and subordinate to the claims of all other unsecured creditors and depositors of the Company, as regards repayment of principal and interest by the Issuer.

#### e. Particulars of Unsecured Redeemable Non-Convertible Debentures (Subordinated debt)

Particulars	Face Value (₹ in Lakhs)	Quantity	Date of Redemption	As at	
				March 31, 2013	March 31, 2012
10.30% CAPFIRSTUNNCD Series 1	10.00	1,000	February 28, 2023	10,000.00	-
10.30% CAPFIRSTUNNCD Series 2	10.00	500	February 28, 2023	5,000.00	-
				15,000.00	-

#### f. Details of Unsecured Inter Corporate Deposits from related parties

During the year, the Company has raised ₹ 3,062.75 lakhs (Previous Year ₹ NIL) by way of 10.75% Inter-Corporate deposits, which is repayable on September 27, 2015 i.e. 3 year from the date of its disbursement. By mutual consent, same can also be repaid prior to its scheduled repayment date without the levy of any prepayment penalty or charges.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 5. LONG TERM BORROWINGS (Contd.)

#### g. Terms of repayment

##### Term loans from Banks - Secured

As at March 31, 2013				₹ in Lakhs	
Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities	
More than 60 Months	10.75%	Quarterly Instalments	22,500.00	2,500.00	
48-60 months	10.50% to 10.75%	Quarterly Instalments	157,485.62	10,000.00	
36-48 months	10.30% to 11.25%	Semi-Annual & Quarterly Instalments	134,092.70	50,500.00	
24-36 months	10.70%	Quarterly Instalments	4,166.67	3,333.33	
Upto 12 months	10.75%	Quarterly Instalments	-	5,000.00	
<b>Grand Total</b>			<b>318,244.99</b>	<b>71,333.33</b>	

##### As at March 31, 2012

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities	
More than 60 Months	11.75% to 12.25%	Bullet and Quarterly Instalments	29,498.61	7,500.00	
48-60 months	10.75% to 12.25%	Monthly and Quarterly Instalments	151,125.00	13,875.00	
36-48 months	11.15% to 12.15%	Bullet, Monthly and Quarterly Instalments	15,000.00	5,000.00	
12-24 months	11.25%	Bullet, Monthly and Quarterly Instalments	5,000.00	5,000.00	
Upto 12 months	11.65%	Bullet Payment on Maturity	-	20,000.00	
<b>Grand Total</b>			<b>200,623.61</b>	<b>51,375.00</b>	

##### Term Loan from bank - Unsecured

##### As at March 31, 2013

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities	
More than 60 months	10.50% to 11.75%	Bullet	27,497.58	-	
<b>Grand Total</b>			<b>27,497.58</b>	<b>-</b>	

##### As at March 31, 2012

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities	
More than 60 months	12.20%	Bullet	20,000.00	-	
<b>Grand Total</b>			<b>20,000.00</b>	<b>-</b>	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>6. OTHER LONG TERM LIABILITIES</b>		
Cash collateral against retail loans	-	1.20
Unamortised processing fees/subvention income	2,893.21	1,091.73
	<b>2,893.21</b>	<b>1,092.93</b>
<b>7. LONG TERM PROVISIONS</b>		
For standard assets	1,006.71	763.01
Loan loss provision	20.00	280.00
For foreclosure/credit loss on assignment	7,024.24	8,607.27
Provision for employee benefits		
- Gratuity	168.10	97.76
	<b>8,219.05</b>	<b>9,748.04</b>
<b>8. SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Loans repayable on demand		
- from banks *	104,546.10	79,728.36
<b>Unsecured</b>		
Commercial papers	2,482.95	35,495.15
Inter Corporate Deposits from related parties (Refer note no. 34) **	2,347.50	-
	<b>109,376.55</b>	<b>115,223.51</b>

**\* Additional Information:**

- Cash credit of ₹ Nil (Previous Year: ₹ 14,972.31 lakhs) is secured by pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.
- Cash credit (including Working Capital Demand Loan) of ₹ 64,667.15 lakhs (Previous Year: ₹ 64,756.05 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.
- Cash Credit of ₹ 39,878.95 lakhs (Previous Year: ₹ Nil) is secured by way of first exclusive charge on receivables of the Company.

**\*\* Details of Unsecured Inter Corporate Deposits from related parties**

During the year, the Company has raised ₹ 2,347.50 lakhs (Previous Year ₹ NIL) by way of 12.00% Inter Corporate deposits, which is repayable on October 2, 2013 i.e. 1 year from the date of its disbursement. By mutual consent, same can also be repaid prior to its scheduled repayment date without the levy of any prepayment penalty or charges.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>9. TRADE PAYABLES</b>		
To Micro, Small and Medium Enterprises *	-	-
Others	5,275.15	4,087.87
	<b>5,275.15</b>	<b>4,087.87</b>
<b>* Disclosure under Micro, Small and Medium Enterprises Development Act, 2006</b>		
There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2013. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act, 2006 (Act) has been determined to the extent such parties have been identified by the Company.		
<b>10. OTHER CURRENT LIABILITIES</b>		
Current maturities of Long term borrowings (Refer note no. 5)	73,833.33	51,375.00
Interest accrued and due on borrowings	180.54	-
Interest accrued but not due on borrowings	2,488.13	2,182.62
Income received in advance	18.57	81.42
Advance received from customers	485.86	926.38
Overdrawn book balance	1,731.53	20,255.68
Unamortised processing fees/ subvention income	2,838.39	604.37
Unclaimed dividends	8.83	5.98
Unclaimed share application money	20.24	23.12
Other liabilities	3,446.15	2,533.02
	<b>85,051.57</b>	<b>77,987.59</b>
<b>11. SHORT-TERM PROVISIONS</b>		
Proposed dividend	1,278.44	971.98
Dividend tax thereon	217.27	157.68
Provision for employee benefits		
- Gratuity	18.68	25.73
- Leave encashment and availment (Refer note no. 47)	158.45	104.99
For standard assets	491.59	465.00
For doubtful loans and advances (Refer note no. 2.1(a)(1))	545.99	428.68
For doubtful debts	137.31	103.30
For foreclosure/credit loss on assignment	1,822.36	1,868.94
	<b>4,670.09</b>	<b>4,126.30</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 12. FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1, 2012	Additions for the year	Deductions during the year	As at March 31, 2013	As at April 1, 2012	For the year	Deductions	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
	₹ in Lakhs									
<b>Tangible Assets</b>										
Own assets										
Land *	6.25	-	-	6.25	-	-	-	-	6.25	6.25
Computers and Printers	1,173.45	551.87	60.16	1,665.16	622.84	175.61	41.97	756.48	908.68	550.61
Office Equipment	607.73	136.60	31.26	713.07	167.05	42.12	4.33	204.84	508.23	440.68
Furnitures and Fixtures	651.56	79.28	160.03	570.81	234.61	40.04	52.07	222.58	348.23	416.95
Electrical Installation	211.96	34.93	44.14	202.75	13.15	11.50	10.91	13.74	189.01	198.81
Air Conditioners	80.81	-	21.22	59.59	54.38	1.19	5.42	50.15	9.44	26.43
Leasehold Improvements	1,216.79	101.02	116.80	1,201.01	733.89	137.33	100.72	770.50	430.51	482.90
Vehicles	0.23	-	-	0.23	0.23	-	-	0.23	-	-
<b>Sub-Total (A)</b>	<b>3,948.78</b>	<b>903.70</b>	<b>433.61</b>	<b>4,418.87</b>	<b>1,826.15</b>	<b>407.79</b>	<b>215.42</b>	<b>2,018.52</b>	<b>2,400.35</b>	<b>2,122.63</b>
<b>Intangible assets</b>										
Domain Names and Trade Names	15.94	20.83	20.46	16.31	11.93	5.70	1.68	15.95	0.36	4.01
Data Processing Software	409.25	503.27	0.38	912.14	197.73	149.74	0.13	347.34	564.80	211.52
<b>Sub-Total (B)</b>	<b>425.19</b>	<b>524.10</b>	<b>20.84</b>	<b>928.45</b>	<b>209.66</b>	<b>155.44</b>	<b>1.81</b>	<b>363.29</b>	<b>565.16</b>	<b>215.53</b>
<b>Total (A+B)</b>	<b>4,373.97</b>	<b>1,427.80</b>	<b>454.45</b>	<b>5,347.32</b>	<b>2,035.81</b>	<b>563.23</b>	<b>217.23</b>	<b>2,381.81</b>	<b>2,965.51</b>	<b>2,338.16</b>

\*Mortgaged as security against Secured Non-Convertible Debentures

### Previous Year

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1, 2011	Additions for the year	Deductions during the year	As at March 31, 2012	As at April 1, 2011	For the year	Deductions	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
	₹ in Lakhs									
<b>Tangible Assets</b>										
Own assets										
Land *	6.25	-	-	6.25	-	-	-	-	6.25	6.25
Computers and Printers	679.92	506.36	12.83	1,173.45	550.18	76.59	3.93	622.84	550.61	129.74
Office Equipment	217.10	390.63	-	607.73	146.90	20.15	-	167.05	440.68	70.20
Furnitures and Fixtures	321.21	330.35	-	651.56	204.79	29.82	-	234.61	416.95	116.42
Electrical Installation	40.50	171.46	-	211.96	7.99	5.16	-	13.15	198.81	32.51
Air Conditioners	81.87	-	1.06	80.81	54.17	0.59	0.38	54.38	26.43	27.70
Leasehold Improvements	696.65	520.14	-	1,216.79	642.72	91.17	-	733.89	482.90	53.93
Vehicles	0.23	-	-	0.23	0.23	-	-	0.23	-	-
<b>Sub-Total (A)</b>	<b>2,043.73</b>	<b>1,918.94</b>	<b>13.89</b>	<b>3,948.78</b>	<b>1,606.98</b>	<b>223.48</b>	<b>4.31</b>	<b>1,826.15</b>	<b>2,122.63</b>	<b>436.75</b>
<b>Intangible assets</b>										
Domain Names and Trade Names	15.88	0.06	-	15.94	9.44	2.49	-	11.93	4.01	6.44
Data Processing Software	212.55	196.70	-	409.25	125.57	72.16	-	197.73	211.52	86.98
<b>Sub-Total (B)</b>	<b>228.43</b>	<b>196.76</b>	<b>-</b>	<b>425.19</b>	<b>135.01</b>	<b>74.65</b>	<b>-</b>	<b>209.66</b>	<b>215.53</b>	<b>93.42</b>
<b>Total (A+B)</b>	<b>2,272.16</b>	<b>2,115.70</b>	<b>13.89</b>	<b>4,373.97</b>	<b>1,741.99</b>	<b>298.13</b>	<b>4.31</b>	<b>2,035.81</b>	<b>2,338.16</b>	<b>530.17</b>

\*Mortgaged as security against Secured Non-Convertible Debentures

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Name of the Company	Quantity	₹ in Lakhs		
		As at March 31, 2013	As at March 31, 2012	
<b>13. NON-CURRENT INVESTMENTS</b>				
<b>Trade Investments: (Valued at Cost unless otherwise stated)</b>				
<b>Investments in Equity Instruments (Unquoted):</b>				
<i>Investments in Subsidiaries:</i>				
<i>In fully paid up equity shares of ₹ 10 each</i>				
FCH Securities and Advisors Limited (Refer note no. 43)	-	-	2,249,994	245.00
Capital First Investment Advisory Limited (formerly Kshitij Investment Advisory Company Limited)	6,005,903	1,194.05	3,000,000	458.80
Future Capital Investment Advisors Limited (Refer note no. 43)	-	-	2,249,994	227.50
Capital First Securities Limited (formerly Future Capital Securities Limited)	55,355,600	7,852.23	2,805,600	2,597.23
Capital First Home Finance Private Limited (formerly Future Capital Home Finance Private Limited)	36,274,999	3,627.50	9,999,999	1,000.00
Anchor Investment and Trading Private Limited	16,987	7.75	16,987	7.75
		<b>12,681.53</b>		<b>4,536.28</b>
Less: Provision for diminution in value of investments **		<b>(2,396.98)</b>		<b>(2,469.38)</b>
		<b>10,284.55</b>		<b>2,066.90</b>
<b>Investments in Equity Instruments (Quoted):</b>				
<i>In fully paid up equity shares of ₹ 10 each</i>				
Centrum Capital Limited	-	-	105,783	1,500.00
Less: Provision for diminution in investments	-	-	-	(350.00)
				<b>1,150.00</b>
		<b>10,284.55</b>		<b>3,216.90</b>
<b>Investments in Preference shares (Unquoted):</b>				
<i>Investments in Subsidiaries:</i>				
<i>In fully paid up preference shares of ₹ 100 each</i>				
12% Cumulative Non-convertible Preference Shares of Capital First Securities Limited	-	-	3,800,000	3,803.75
13% Cumulative Non-convertible Preference Shares of Capital First Securities Limited	1,200,000	1,200.00	-	-
		<b>1,200.00</b>		<b>3,803.75</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Name of the Company	As at		As at	
	Quantity	March 31, 2013	Quantity	March 31, 2012
₹ in Lakhs				
<b>Non-Trade Investments: (Valued at Cost unless otherwise stated)</b>				
<b>Investments in debentures (Unquoted) * :</b>				
18.75%, Secured redeemable non-convertible debentures of Kanakia Bhumi Construction Private Limited, fully paid up of ₹ 100.00 lakhs each	-	-	90	7,500.00
18.75%, Secured redeemable non-convertible debentures of Kanakia Spaces Private Limited, fully paid up of ₹ 100.00 lakhs each	-	-	40	3,334.00
16%, Secured redeemable non-convertible debentures of Keystone Realtors Private Limited, fully paid up of ₹ 1,000.00 lakhs each	12	1,714.28	12	8,572.11
16%, Secured redeemable non-convertible debentures of Omkar Realtors & Developer Limited, fully paid up of ₹ 1.00 lakh each	6,000	5,809.39	-	-
		7,523.67		19,406.11
		19,008.22		26,426.76
<b>Additional Information:</b>				
Aggregate market value of quoted Investments		-		1,163.61
Aggregate value of quoted investments:		-		1,500.00
Aggregate value of unquoted investments:		21,405.20		27,746.14
Aggregate provision for diminution in value of investments:		2,396.98		2,819.38

\* Current maturities of ₹ 6,857.14 lakhs (Previous Year: ₹ 4,744.00 lakhs) is shown under Note No. 17

\*\* diminution is against Capital First Securities Limited (formerly Future Capital Securities Limited)

Particulars	As at	
	March 31, 2013	March 31, 2012
₹ in Lakhs		
<b>14. DEFERRED TAX ASSETS (NET)</b>		
(Refer note no. 42)		
<b>Deferred tax asset:</b>		
On account of depreciation on fixed assets	293.67	433.23
On other disallowances under Income Tax Act, 1961		
- Retirement Benefit	63.48	74.13
- Provision for doubtful debts	46.67	33.51
- Provision for doubtful retail loans	192.38	139.09
- Unamortised Processing fees	1,948.17	-
- Provision for standard assets	509.27	-
	3,053.64	679.96
<b>Deferred tax liability:</b>		
Unamortised loan origination cost	1,644.52	-
Unamortised Bank fees	638.18	-
	2,282.70	-
<b>Net Deferred tax assets</b>	<b>770.94</b>	<b>679.96</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>15. LONG-TERM LOANS AND ADVANCES</b>		
<i>Secured, considered good</i>		
Loans and advances relating to financing activity	380,016.07	261,712.74
<i>Unsecured, considered good</i>		
Capital advances	88.36	161.72
Security Deposits	635.68	533.26
Loans and advances to related parties (Refer note no. 34)	-	3,225.00
Loans and advances relating to financing activity	4,479.48	182.20
Receivables under loans assigned	6,463.03	5,843.38
Advances to staff *	100.00	100.00
Advances recoverable in cash or in kind or for value to be received	894.16	397.60
Advance taxes (net of provision for tax)	3,099.29	2,040.26
	15,760.00	12,483.42
	395,776.07	274,196.16
<b>* Additional Information:</b>		
Debts due by directors or other officers of the Company	100.00	100.00
<b>16. OTHER NON-CURRENT ASSETS</b>		
Unamortised loan origination cost (Refer note no. 40(a))	3,469.81	1,554.39
Unamortised borrowing costs (Refer note no. 40(b))	1,405.74	-
Balances with banks		
- in deposit accounts exceeding twelve months maturity	16,669.00	13,767.04
	21,544.55	15,321.43

Name of the Company	Quantity	₹ in Lakhs	
		As at March 31, 2013	As at March 31, 2012
<b>17. CURRENT INVESTMENTS</b>			
<b>Investments in Equity Instruments (Unquoted):</b>			
<i>Investments in Subsidiaries:</i>			
<i>In fully paid up equity shares of ₹ 10/- each</i>			
Myra Mall Management Company Limited (Refer note no. 28(i))	-	-	1,000,000
Future Finance Limited (Refer note no. 28(ii))	-	-	10,750,000
			1,324.37
Current maturities of long-term investments		6,857.14	4,744.00
		6,857.14	6,068.37
<b>Additional Information:</b>			
Aggregate value of unquoted investments		6,857.14	6,068.37



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>18. TRADE RECEIVABLES</b>		
Outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured, considered doubtful	137.31	68.99
Other debts		
- Unsecured, considered good	1,262.11	360.78
- Unsecured, considered doubtful	-	34.30
	<b>1,262.11</b>	<b>395.08</b>
	<b>1,399.42</b>	<b>464.07</b>
<b>19. CASH AND BANK BALANCES</b>		
<b>Cash and Cash Equivalents</b>		
Cash on hand *	1,602.42	1,026.35
Balances with Banks		
- in unclaimed dividend accounts	8.83	5.98
- in unclaimed share application money	20.24	23.12
- in current accounts	90,580.34	48,494.87
- in deposit accounts having original maturity less than three months	20,000.00	-
	<b>112,211.83</b>	<b>49,550.32</b>
<b>Other Bank Balances</b>		
Deposit with original maturity for more than three months but less than twelve months	3,000.00	-
	<b>115,211.83</b>	<b>49,550.32</b>
*Includes Cash in transit amounting to ₹ 169.36 lakhs (Previous year ₹ 149.53 lakhs)		
<b>20. SHORT-TERM LOANS AND ADVANCES</b>		
<i>Secured, considered good</i>		
Loans and advances relating to financing activity *	133,336.24	173,884.46
Receivables under loans assigned	21,690.00	-
<i>Secured, considered doubtful</i>		
Loans and advances relating to financing activity *	1,766.91	1,950.37
<i>Unsecured, considered good</i>		
Loans and advances relating to financing activity *	19,425.40	5,503.21
Loans and advances to related parties (Refer note no. 34)	2,627.57	134.17
Receivables under loans assigned	1,642.28	1,408.97
Advances recoverable in cash or in kind or for value to be received	781.19	635.16
Security deposits	43.73	34.04
<i>Unsecured, considered doubtful</i>		
Loans and advances relating to financing activity *	166.10	339.94
	<b>181,479.42</b>	<b>183,890.32</b>
*Includes current maturities of long-term loans and advances and overdue loan and advances		
<b>21. OTHER CURRENT ASSETS</b>		
Interest accrued and due	745.94	1,524.92
Interest accrued but not due	6,926.71	3,805.75
Unamortised loan origination cost (Refer note no. 40(a))	1,368.45	584.65
Unamortised borrowing costs (Refer note no. 40(b))	471.82	-
Unbilled Subvention Income	369.65	156.63
	<b>9,882.57</b>	<b>6,071.95</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>22. REVENUE FROM OPERATIONS</b>		
Interest income	73,019.14	55,792.93
<b>Other financial services:</b>		
Fee income (Refer note no. 2.1(a)(2))	2,167.56	7,869.00
Income from assignment of loans (Refer note no. 2.1(a)(3))	2,833.76	5,818.90
Profit on sale of current investments (net)	415.18	300.58
Commission and brokerage income	1,295.59	410.42
Profit on trading in commodities (net)	83.52	-
	<b>79,814.75</b>	<b>70,191.83</b>
<b>23. OTHER INCOME</b>		
Interest on Income Tax Refund	108.35	78.46
Excess provision written back	72.40	-
Other non-operating income	9.91	5.95
	<b>190.66</b>	<b>84.41</b>
<b>24. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	12,084.46	7,231.28
Contribution to provident and other funds	370.65	286.13
Remuneration to whole time directors	386.03	317.30
Staff welfare expenses	236.30	124.05
	<b>13,077.44</b>	<b>7,958.76</b>
<b>25. FINANCE COSTS</b>		
Interest expense	43,813.44	29,067.70
Other borrowing costs (Refer note no. 2.1(a)(2))	5,033.16	10,495.33
	<b>48,846.60</b>	<b>39,563.03</b>
<b>26. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation	407.79	223.48
Amortisation of intangible assets	155.44	74.65
	<b>563.23</b>	<b>298.13</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>27. OTHER EXPENSES</b>		
Rent	1,477.05	1,084.71
Repairs others	484.18	217.85
Insurance	50.53	32.32
Rates and taxes	66.38	55.69
Auditors Remuneration		
- as auditor	50.00	35.00
- Tax audit fees	1.00	1.00
- for Certification	3.48	-
- for reimbursement of expenses	3.09	3.16
Business promotion expenses	260.05	106.58
Commission and brokerage	242.72	33.14
Travelling expenses	587.92	401.70
Communication expenses	610.69	299.76
Printing and stationery	200.49	179.71
Recruitment expenses	160.11	235.48
Membership and subscription	24.27	10.44
Advertisement, publicity and sales promotion expenses	371.53	198.13
Electricity charges	196.95	127.86
Amortised loan origination cost	1,964.34	1,797.36
<b>Provision and Write offs:</b>		
Provision for doubtful loans and advances (Refer note no. 2.1(a)(1))	(108.68)	85.28
Provision for diminution in value of investments		
- Others	-	350.00
Provision for standard assets	270.29	487.00
Bad loans and trade receivables written off (net of recovery)	1,100.91	702.65
	<b>1,262.52</b>	<b>1,624.93</b>
Loss on sale of fixed asset (including write off) (net)	220.56	-
Loss on sale of non-current investments	-	200.37
Donations	1.50	9.52
Legal and professional charges	1,528.66	1,303.05
CMS Charges	1,457.79	282.07
Directors sitting fees	18.00	10.88
Collection expenses	254.00	348.02
Remuneration to non-whole time directors		
- Commission	48.00	50.00
Miscellaneous expenses	560.04	296.38
	<b>12,105.85</b>	<b>8,945.11</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>28. EXCEPTIONAL ITEMS</b>		
Profit on sale of subsidiaries	2,432.10	-
	<b>2,432.10</b>	-
(i) During the year ended March 31, 2013, the Company has sold its stake in Myra Mall Management Company Limited vide Share Purchase Agreement dated July 09, 2012 for a consideration of ₹ 2,236.00 lakhs having book value of investments of ₹ 100.00 lakhs. The profit of ₹ 2,136.00 lakhs on sale of shares has been reported as exceptional items.		
(ii) During the year ended March 31, 2013, the Company has sold its stake in Future Finance Limited vide Share Purchase Agreement dated September 17, 2012 for a net consideration of ₹ 1,520.47 lakhs having book value of investments of ₹ 1,224.37 lakhs. The profit of ₹ 296.10 lakhs on sale of shares has been reported as exceptional items.		
<b>29. EARNINGS PER EQUITY SHARE ('EPS')</b>		
<b>Basic EPS</b>		
Profit for the year after tax expense (₹ in Lakhs)	6,977.38	9,219.27
Weighted average number of equity shares	66,525,931	64,798,484
Nominal value per equity share (₹)	10.00	10.00
<b>Earning per equity share - Basic (₹)</b>	<b>10.49</b>	<b>14.23</b>
<b>Diluted EPS</b>		
Profit for the year after tax expense (₹ in Lakhs)	6,977.38	9,219.27
Weighted average number of equity shares	66,525,931	64,798,484
Add: Weighted number of equity shares under options	331,053	7,433
Weighted average number of diluted equity shares	66,856,984	64,805,917
Nominal value per equity share (₹)	10.00	10.00
<b>Earning per equity share - Diluted (₹)</b>	<b>10.44</b>	<b>14.23</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 30. CONTINGENT LIABILITIES AND COMMITMENTS

- a. Contingent Liabilities not provided for in respect of:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
Income-tax matters under dispute *	142.99	-
Corporate guarantee given by Company to banks	1,900.00	900.00

\* Future cash outflows are determinable only on receipt of judgements/decisions pending with various forums/authorities.

- b. Capital commitments:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
Estimated amount of contracts remaining to be executed on capital account and not provided for	205.24	291.87
Commitments relating to granting of loan	15,820.48	28,996.33

### 31. POST-EMPLOYMENT BENEFIT PLANS

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses.

The following table summaries the components of net benefit expense recognized in the Statement of Profit and Loss and amounts recognized in the balance sheet for the respective plans.

- A. Change in Present Value of Obligation

Particulars	₹ in Lakhs	
	Gratuity (Unfunded)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Present Value of the Obligation as at the beginning of the year	123.49	43.88
Interest Cost	10.19	3.51
Current Service Cost	111.22	93.52
Benefit Paid	(17.12)	(18.11)
Actuarial (gain)/ loss on obligations	(41.01)	0.69
Present Value of the Obligation as at the end of the year	186.77	123.49

- B. Amount recognised in the Statement of Profit and Loss

Particulars	₹ in Lakhs	
	Gratuity (Unfunded)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Interest Cost	10.19	3.51
Current Service Cost	111.22	93.52
Actuarial (gain)/loss on obligations	(41.01)	0.69
Total expense/(income) recognised in the Statement of Profit and Loss	80.40	97.72

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### C. Reconciliation of Balance Sheet

₹ in Lakhs

Particulars	Gratuity (Unfunded)	
	Year ended	Year ended
	March 31, 2013	March 31, 2012
Present Value of the Obligation as at the beginning of the year	123.49	43.88
Total expense recognised in the Statement of Profit and Loss	80.40	97.72
Benefits paid	(17.12)	(18.11)
Present Value of the Obligation as at the end of the year	186.77	123.49

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

Assumptions	Gratuity (Unfunded)	
	Year ended	Year ended
	March 31, 2013	March 31, 2012
Discount rate	8.25%	8%
Increase in compensation cost	8%	8%
Employee turnover	2%	2%

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

Since the Company has not funded its gratuity liability there are no returns on the planned assets and hence the details related to changes in fair value of assets have not been given.

There are no material experience adjustments during the year and preceding three years and hence the same have not been disclosed.

### 32. EMPLOYEE STOCK OPTION SCHEME ('ESOS')

#### For the year ended March 31, 2013

Particulars of Options	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011	ESOP 2012
Outstanding as at the beginning of the year	452,000	579,500	350,000	1,197,000	-
Granted during the year	-	40,000	30,000	347,500	1,315,000
Forfeited/Cancelled during the year	100,000	20,000	30,000	69,000	15,000
Lapsed during the year	-	-	-	-	-
Exercised/Allotted during the year	8,000	2,000	-	43,000	-
Outstanding as at the end of the year	344,000	597,500	350,000	1,432,500	1,300,000
Exercisable at the end of the year	-	162,100	160,000	217,000	-
Weighted average remaining contractual life (in years)	3.44	4.51	4.40	6.68	6.19
Weighted average fair value of options granted	₹ 146.37	₹ 102.38	₹ 154.37	₹ 97.32	₹ 98.38
Method of settlement	Equity	Equity	Equity	Equity	Equity

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

For the year ended March 31, 2012

Particulars of Options	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011	ESOP 2012
Outstanding as at the beginning of the year	459,000	569,500	350,000	-	-
Granted during the year	-	65,000	-	1,202,000	-
Forfeited/Cancelled during the year	7,000	40,000	-	5,000	-
Lapsed during the year	-	-	-	-	-
Exercised/Allotted during the year	-	15,000	-	-	-
Outstanding as at the end of the year	452,000	579,500	350,000	1,197,000	-
Exercisable at the end of the year	108,000	66,500	70,000	-	-
Weighted average remaining contractual life (in years)	3.75	5.07	4.86	5.70	-
Weighted average fair value of options granted	₹ 113.70	₹ 96.63	₹ 141.50	₹ 66.00	-
Method of settlement	Equity	Equity	Equity	Equity	Equity

### ESOS 2007

No further options were granted during the year under this scheme. Options under this scheme will vest after the expiry of 3 years from the date of grant. The same will be exercisable within 4 years from the date of vesting.

### ESOS 2008

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 40,000 equity shares to the eligible employees at an exercise price of ₹ 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

### ESOS 2009

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 30,000 equity shares to the eligible employees at an exercise price of ₹ 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

### ESOS 2011

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 347,500 equity shares to the eligible employees at an exercise price of ₹ 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

### ESOS 2012

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 1,300,000 equity shares and the said Committee at its meeting held on February 6, 2013 granted options in respect of 15,000 equity shares to the eligible employees at an exercise price of ₹ 203.50 and ₹ 175.00 respectively. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

The fair value of the stock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	ESOS 2007/ ESOS 2008/ ESOS 2009/ ESOS 2011/ ESOS 2012
Exercise Price	ESOS 2007- Nil ESOS 2008- 40,000 stock options ESOS 2009- 30,000 stock options ESOS 2011- 347,500 stock options ESOS 2012- 1,315,000 stock options
Historical Volatility	44.98% - 53.35%
Life of the options granted (Vesting and exercise period) in years	<u>Vesting schedule:</u> 25% each year from the end of 1, 2, 3 and 4 years of the date of grant respectively. <u>Exercise Period:</u> Within 4 years from the date of vesting.
Dividend yield	0.90%
Average risk-free interest rate	7.90% - 8.12%

### Proforma Accounting

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Net Profit after tax as reported	6,977.38	9,219.27
Less: Employee stock compensation cost under fair value method	933.52	856.13
<b>Total</b>	<b>6,043.86</b>	<b>8,363.14</b>
Basic earnings per share as reported	10.49	14.23
Proforma Basic earnings per share	9.08	12.91
Diluted earnings per share as reported	10.44	14.23
Proforma Diluted earnings per share	9.03	12.91

### 33. SEGMENT REPORTING

#### Primary segment information (by business segments):

As permitted by paragraph 4 of Accounting Standard-17 (AS-17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS-17 are given in consolidated financial statements.

#### Geographical Segments:

The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 34. RELATED PARTY DISCLOSURE

Names of related parties where control exists irrespective of whether transactions have occurred or not

Relationship	Name of the Party
Holding Company	Cloverdell Investment Ltd. (w.e.f. November 2, 2012)
	Pantaloon Retail (India) Limited (upto September 28, 2012)
Subsidiaries	Capital First Investment Advisory Limited <i>(formerly known as Kshitij Investment Advisory Company Limited)</i>
	Myra Mall Management Company Limited (upto July 9, 2012)
	Future Finance Limited (upto February 28, 2013)
	Capital First Securities Limited <i>(formerly known as Future Capital Securities Limited)</i>
	Capital First Commodities Limited <i>(formerly known as Future Capital Commodities Limited)</i>
	Capital First Home Finance Private Limited <i>(formerly known as Future Capital Home Finance Private Limited)</i>
	Anchor Investment and Trading Private Limited

Names of other related parties with whom transactions have taken place during the year.

Relationship	Name of the Party
Fellow subsidiaries	Future Media (India) Limited (upto September 28, 2012)
	Future E-Commerce Infrastructure Limited (upto September 28, 2012)
	Future Knowledge Services Limited (upto September 28, 2012)
	Future Value Retail Limited (upto September 28, 2012)
	Home Solutions Retail India Limited (upto September 28, 2012)
	Dayside Investment Ltd. (w.e.f. November 2, 2012)
Key Management Personnel	Mr. V. Vaidyanathan - Chairman and Managing Director
Enterprises significantly influenced by key management personnel	JV & Associates LLP

Refer Annexure 1 and 1A for the transactions with related parties.

### 35. OPERATING LEASES

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

The aggregate lease rentals payable are charged to the Statement of Profit and Loss.

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Lease payments recognized in the Statement of Profit and Loss	1,477.05	1,084.71

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Details of non-cancellable leases are as follows:

₹ in Lakhs

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Minimum Lease Payments:</b>		
Not later than one year	683.70	439.98
Later than one year but not later than five years	1,766.46	659.97
Later than five years	Nil	Nil

### Finance Leases

In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on March 31, 2013 and March 31, 2012 is as under:

₹ in Lakhs

Particulars	As at March 31, 2013	As at March 31, 2012
Gross investment in lease	215.64	Nil
Less: Unearned finance Income	8.04	Nil
MLP Receivables	207.60	Nil
<b>Particulars</b>	<b>As at March 31, 2013</b>	<b>As at March 31, 2012</b>
Gross investment for each of the following years:		
• Not later than one year	205.53	Nil
• Later than one year and not later than five years	10.11	Nil
	215.64	Nil
Present value of minimum lease payment for each of the following years:		
• Not later than one year	198.24	Nil
• Later than one year and not later than five years	9.35	Nil
	207.59	Nil
Unmatured finance charges	Nil	Nil
Unguaranteed residual value accruing to the benefit of lessor	Nil	Nil
Accumulated provision for minimum lease payment receivable	Nil	Nil

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 36. DISCLOSURE PURSUANT TO CLAUSE 32 OF LISTING AGREEMENT

Included in Loans and Advances are:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>Due from subsidiaries</b>		
Myra Mall Management Company Limited [Maximum amount outstanding during the year ₹ 7,361.09 lakhs (Previous year ₹ 3,560.28 lakhs)]	Nil	3,012.43
Future Capital Investment Advisors Limited* [Maximum amount outstanding during the year ₹ 24.00 lakhs (Previous year ₹ 24.17 lakhs)]	Nil	24.00
Capital First Investment Advisory Limited [Maximum amount outstanding during the year ₹ 46.61 lakhs (Previous year ₹ 16.32 lakhs)]	Nil	9.50
Future Finance Limited [Maximum amount outstanding during the year ₹ 26.82 lakhs (Previous year ₹ 27.08 lakhs)]	Nil	24.00
Capital First Home Finance Private Limited [Maximum amount outstanding during the year ₹ 60.65 lakhs (Previous year ₹ 35.00 lakhs)]	Nil	35.00
Capital First Securities Limited [Maximum amount outstanding during the year ₹ 3,581.57 lakhs (Previous year ₹ 1,438.82 lakhs)]	2,627.57	245.88
Capital First Commodities Limited [Maximum amount outstanding during the year ₹ Nil (Previous year ₹ 4.69 lakhs)]	Nil	4.69

\* Merged during the year with Capital First Investment Advisory Limited

### 37. FOREIGN CURRENCY

Expenditure in foreign currency (Accrual basis)	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Travelling	-	0.41
Professional fees	-	5.25
Membership & Subscription	1.59	-
Training expenses	5.51	-

### 38. AMOUNTS REMITTED IN FOREIGN CURRENCIES FOR DIVIDEND

Expenditure in foreign currency (Accrual basis)	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Number of shareholders	1	1
Number of shares held	940,000	940,000
Dividend remitted	14.10	14.10
Year related	FY 2011-12	FY 2010-11

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

39. The Company sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
No. of loan assets assigned	748	4,539
Book value of loan assets directly assigned	57,587.02	146,574.51
Sale consideration received	57,587.02	154,980.42
Income on account of direct assignment (net)	2,833.76	5,818.90
Outstanding credit enhancement – Fixed Deposit	16,667.10	13,766.14

The information on assignment of the Company as an originator in respect of outstanding amount of assigned assets is given below:

Sl. No.	Particulars	₹ in Lakhs	
		For the year ended March 31, 2013	For the year ended March 31, 2012
1.	No of SPVs sponsored by the bank for assignment transactions	NA	NA
2.	Total amount of assigned assets as per books of the SPVs sponsored by the bank	NA	NA
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	• First loss	-	-
	• Others	-	-
	b) On-balance sheet exposures		
	• First loss	-	-
	• Others	2,018.47	-
4.	Amount of exposures to assignment transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own assignments		
	• First loss	NA	NA
	• Others	NA	NA
	ii) Exposure to third party assignments		
	• First loss	NA	NA
	• Others	NA	NA
	b) On-balance sheet exposures		
	i) Exposure to own assignments		
	• First loss	NA	NA
	• Others	NA	NA
	ii) Exposure to third party assignments		
	• First loss	NA	NA
	• Others	NA	NA

Note: As the Circular No. DNBS. PD. No. 301/3.10.01/2012-13 is effective from August 21, 2012, hence assignment done after circular date are consider for disclosure purpose only.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 40. DEFERMENT OF LOAN ORIGINATION COST, BORROWING COST, PROCESSING FEES AND SUBVENTION INCOME

#### a. Loan origination cost

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Total loan origination cost deferred	4,663.56	3,462.91
Cost amortised and charged to Statement of Profit and Loss during the year	1,964.34	1,797.36
Unamortised cost shown into balance sheet :		
Current	1,368.45	584.65
Non-current	3,469.81	1,554.39

#### b. Borrowing cost

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Total borrowing cost deferred	2,172.03	Nil
Cost amortised and charged to Statement of Profit and Loss during the year	294.47	Nil
Unamortised borrowing cost shown into balance sheet :		
Current	471.82	Nil
Non-current	1,405.74	Nil

#### c. Processing fees and subvention income

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Total unamortised income from processing fees/subvention income deferred	7,423.54	3,026.55
Income amortised and credited during the year to :		
- Fee income	1,512.03	1,201.09
- Interest income	1,876.01	616.95
Unamortised processing fees/subvention income shown into balance sheet:		
Current	2,838.39	604.37
Non-current	2,893.21	1,091.73

### 41. Additional disclosures as required by circular no DNBS.CC.PD.No.265/03.10.01/2011-2012 dated March 31, 2012 issued by Reserve Bank of India:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
Total Gold loan Portfolio	44,009.04	22,904.27
Total Assets	558,439.93	467,041.70
Gold loan portfolio as a % age of total assets	7.88%	4.90%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

42. The Company has started recognising deferred tax asset on provision for standard assets and unamortised fees and deferred tax liability on loan origination cost from the current year. An amount of ₹ 174.74 lakhs (Previous year – ₹ NIL) (net credit) in the current year is towards the same.
43. During the year ended March 31, 2012, Capital First Investment Advisory Limited (formerly known as Kshitij Investment Advisory Company Limited) ('KIACL'), wholly owned subsidiary of the Company, had filed a petition with the Bombay High Court for the purpose of Amalgamation (in the nature of merger) of FCH Securities & Advisory Services Limited and Future Capital Investment Advisors Limited with KIACL. KIACL has obtained approval from the Bombay High Court on April 13, 2012 for the scheme of Amalgamation which was filed with the Registrar of Company ('ROC') on June 2, 2012. Accordingly, the Scheme has been given effect in the books of accounts in the current year. The said scheme became effective from June 2, 2012 but operative with retrospective effect from April 1, 2011, the appointed date.
44. During the previous year, the Company had allotted 10,000,000 share warrants pursuant to the approval of Members at the Extra Ordinary General Meeting held on August 27, 2010. These share warrants were convertible into equal number of equity shares at the option of the holder within 18 months from the date of allotment. As per SEBI (ICDR) guidelines, the Company had received upfront money as advance from the allottees. Since the holders of the option did not exercise the option to convert the share warrants into equity shares, the entire share warrant application money has been transferred to Capital Reserve.
45. As per the Guidance Note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, the Company has adjusted the Share Capital by ₹ 60.97 lakhs (Previous year: ₹ 30.00 lakhs) and Securities Premium by ₹ 1,457.38 lakhs (Previous year: ₹ 1,096.35 lakhs) in respect of 609,713 (Previous year: 300,000) shares held by the trusts.
46. During the year ended March 31, 2013, the Company had noticed fraud in respect of Gold loans involving collusion with employees of the Company who had availed loans and embezzled loans aggregating to ₹ 405.51 lakhs from the Company on the basis of fraudulent documents and gold. The Company has initiated legal proceedings for recovery of the said amount against the said customers and employees from whom gold was seized but the gold is still lying with police custody. The Company has also filed an insurance claim for claiming the loss. During the year ended March 31, 2013, the Company has written off loan amount aggregating to ₹ 405.51 lakhs which was fully provided in earlier quarters.
47. During the year ended March 31, 2013, the Company has changed its policy related leave encashment. The outstanding leave balances as at March 31, 2013 will not be carried forward and leave balance up to a maximum of 36 days will be paid to the employees based on their basic salary. Going forward, all the earned leave during the financial year and remaining unutilized will be encashed at the yearend based on basic salary. Consequent to the change in policy, the profit for the year ended is lower by ₹ 4.05 lakhs.
48. Additional information as per guidelines issued by the Reserve Bank of India in respect of Non-Banking Financial (Non-deposit accepting or holding) Systemically Important (NBFC-ND-SI) is given in Annexure 2.
49. Figures for previous year have been regrouped/rearranged wherever necessary, to conform to current year's classification.

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**

ICAI Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**

Partner  
Membership No. 102102

Place : Mumbai

Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**  
Chairman &  
Managing Director

**N. C. Singhal**  
Director

**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai

Date : May 27, 2013

**Satish Gaikwad**  
Company Secretary

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Annexure 1 Transactions with Related parties

Relationship	Holding Company		Subsidiaries		Fellow Subsidiaries		Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Year								
Purchase of goods/services	-	220.42	211.89	63.71	14.53	26.84	-	-
Interest paid	-	-	521.80	-	-	-	-	-
Rent/Lease rent paid	23.06	-	96.09	210.44	8.06	-	-	-
Rent Income	-	-	29.25	36.03	-	-	-	-
Commission and Brokerage Income received	-	-	189.54	5.78	-	-	-	-
Interest received	-	-	198.28	358.67	-	147.07	-	-
Subvention Income Received	52.45	0.85	-	-	23.76	319.13	-	-
Deposit repaid	-	-	-	160.00	-	-	-	-
Loans/Advances given	-	-	249.32	5,130.69	-	5,500.00	-	-
Loans/Advances repayment received	-	-	441.31	1,931.93	-	5,500.00	-	-
Inter corporate deposits Given	-	-	22,305.50	-	-	-	-	-
Inter corporate deposits Received Back	-	-	15,373.00	-	-	-	-	-
Inter corporate deposits Taken	-	-	12,505.25	-	-	-	-	-
Inter corporate deposits Repaid	-	-	5,350.00	-	-	-	-	-
Purchase of investments	-	-	9,345.25	2,299.00	-	-	-	-
Sale of investments	-	-	5,028.12	0.50	-	-	-	-
Directors Remuneration	-	-	-	-	-	-	386.03	317.30
<b>Closing Balances : Receivable/(Payable)</b>								
Inter corporate deposits granted/(taken)	-	-	(2,782.75)	3,225.00	-	-	-	-
Advances Recoverable/(Payable )	-	3.42	0.07	130.50	-	75.37	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Annexure 1A

Transactions with Related parties

Disclosures of Related party transactions more than 10%

Name of the Party	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Purchase of Goods/services</b>		
Pantaloon Retail (India) Limited	-	220.42
Capital First Securities Limited	171.38	63.71
Capital First Commodities Limited	40.51	-
Future E- Commerce Infrastructure Limited	-	5.09
<b>Interest Expenses</b>		
Capital First Investment Advisory Limited	217.01	-
Capital First Securities Limited	55.32	-
Capital First Commodities Limited	155.49	-
Future Finance Limited	86.06	-
<b>Rent/Lease Rent paid</b>		
Pantaloon Retail (India) Limited	23.06	-
Myra Mall Management Company Limited	95.24	59.00
Capital First Investment Advisory Limited	-	146.40
<b>Rent Income</b>		
Myra Mall Management Company Limited	3.00	9.00
Future Finance Limited	8.25	9.00
Capital First Investment Advisory Limited	9.00	9.00
Capital First Home Finance Private Limited	9.00	9.03
<b>Commission &amp; Brokerage &amp; other Income received</b>		
Capital First Commodities Limited	64.21	-
Capital First Securities Limited	125.33	5.78
<b>Interest received</b>		
Myra Mall Management Company Limited	118.66	263.50
Capital First Securities Limited	73.76	95.18
Future Value Retail Limited	-	147.07
<b>Subvention Income Received</b>		
Pantaloon Retail (India) Limited	52.45	-
Future Value Retail Limited	23.76	317.19
<b>Loans/Advances Given</b>		
Capital First Securities Limited	-	1,383.97
Future Finance Limited	65.89	-
Capital First Investment Advisory Limited	97.07	-
Myra Mall Management Company Limited	62.55	3,592.63
Future Value Retail Limited	-	5,500.00
<b>Loans/Advances repayment received</b>		
Future Finance Limited	89.89	-
Capital First Investment Advisory Limited	130.57	-
Capital First Securities Limited	70.80	1,308.97
Capital First Home Finance Private Limited	58.81	-
Myra Mall Management Company Limited	86.55	181.02
Future Value Retail Limited	-	5,500.00



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Annexure 1A (contd.)

Transactions with Related parties

Disclosures of Related party transactions more than 10%

₹ in Lakhs

Name of the Party	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Inter Corporate Deposit Given</b>		
Capital First Securities Limited	15,162.50	-
Capital First Commodities Limited	2,943.00	-
Myra Mall Management Company Limited	4,200.00	-
<b>Inter Corporate Deposit Received Back</b>		
Capital First Securities Limited	12,710.00	-
Capital First Commodities Limited	2,663.00	-
<b>Inter Corporate Deposit Taken</b>		
Capital First Investment Advisory Limited	3,157.75	-
Future Finance Limited	1,465.00	-
Capital First Home Finance Private Limited	2,627.50	-
Capital First Securities Limited	2,627.50	-
Capital First Commodities Limited	2,627.50	-
<b>Inter Corporate Deposit Repaid</b>		
Capital First Securities Limited	2,627.50	-
Capital First Home Finance Private Limited	2,627.50	-
<b>Purchase of investments</b>		
Capital First Investment Advisory Limited		
Capital First Home Finance Private Limited	2,627.50	999.00
Capital First Securities Limited	6,455.00	1,300.00
<b>Sale of investments</b>		
Future Finance Limited	1,224.37	0.50
Capital First Securities Limited - Preference Shares 12%	3,803.75	-
<b>Deposit repaid</b>		
Myra Mall Management Company Limited	-	160.00
<b>Managerial Remuneration</b>		
Mr. V. Vaidyanathan	386.03	317.30
<b>Closing Balances:</b>		
<b>Loans/Inter corporate deposits granted</b>		
Myra Mall Management Company Limited	-	3,050.00
Capital First Securities Limited	2,627.50	-
<b>Loans/Inter corporate deposits Payable</b>		
Capital First Investment Advisory Limited	3,062.75	-
Capital First Commodities Limited	2,347.50	-
<b>Advances recoverable in cash or kind/ (Sundry creditors) (net)</b>		
Future Value Retail Limited	-	64.11
Capital First Securities Limited	0.07	70.88
Capital First Home Finance Private Limited	-	35.00
Future Capital Investment Advisors Limited	-	24.00
Future Finance Limited	-	24.00

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Annexure 2 of the Note No. 48 to the Notes to the Financial Statements for the year ended March 31, 2013

#### A. Capital to Risk Assets Ratio (CRAR)

Items	Current Year	Previous Year
i) CRAR (%)	23.53%	18.63%
ii) CRAR - Tier I capital (%)	16.26%	14.23%
iii) CRAR - Tier II Capital (%)	7.27%	4.40%

#### B. Exposures to real estate sector, both direct and indirect

Items	₹ in Lakhs	
	Current Year	Previous Year
<b>a) Direct exposure</b>		
(i) <b>Residential Mortgages</b> – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	282,665.95	113,355.74
(ii) <b>Commercial Real Estate</b> – Lending secured by mortgages on commercial real estates (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;	96,238.40	148,387.25
(iii) <b>Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>		
a. Residential,	-	-
b. Commercial Real Estate	14,380.81	24,150.11
<b>b) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

#### C. Maturity pattern of assets and liabilities

	₹ in Lakhs				
	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year
<b>Liabilities</b>					
Borrowings from banks	3,125.00	2,500.00	7,208.33	18,250.00	144,796.10
	(-)	(-)	(3,875.00)	(28,333.33)	(98,895.02)
Market borrowings	2,482.95	-	-	-	4,847.50
	(6,714.15)	(-)	(20,353.19)	(4,726.80)	(3,701.01)
<b>Assets</b>					
Advances *	17,704.29	6,209.29	15,357.10	26,561.61	91,489.85
	(33,552.08)	(15,209.06)	(15,756.28)	(46,468.65)	(81,464.09)
Investments	-	-	1,714.29	1,714.29	3,428.57
	(-)	(-)	(-)	(1,324.37)	(4,744.00)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

	₹ in Lakhs			
	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>				
Borrowings from banks	197,203.32	118,541.67	29,997.58	521,622.00
	(114,166.67)	(85,956.94)	(20,500.00)	(351,726.96)
Market borrowings	51,972.75	20,000.00	27,500.00	106,803.20
	(22,090.00)	(29,320.00)	(-)	(86,905.16)
<b>Assets</b>				
Advances *	121,743.41	39,105.67	226,927.53	545,098.75
	(133,327.63)	(50,490.08)	(67,306.24)	(443,574.11)
Investments	3,530.07	3,993.60	11,484.54	25,865.36
	(19,406.11)	(-)	(7,020.65)	(32,495.13)

\* Represents interest bearing loans and inter corporate deposits.

Figures in bracket relate to previous year.

Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

₹ in Lakhs		
<b>Particulars</b>		
<b>LIABILITIES SIDE:</b>		
<b>1. Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>	<b>Amount Outstanding</b>	<b>Amount Overdue</b>
a. Debentures (other than falling within the meaning of public deposits*)		
- Secured	71,410.00	-
- Unsecured	27,500.00	-
b. Deferred Credits	-	-
c. Term Loans	417,075.90	-
d. Inter-corporate loans and borrowings	5,410.25	-
e. Commercial Paper	2,482.95	-
f. Other Loans - Demand loans	104,546.10	-
* Please see Note 1 below		
<b>ASSETS SIDE:</b>		
<b>2. Break-up of Loans and Advances including bills receivables [other than those included in(4) below]:</b>		<b>Amount Outstanding</b>
a. Secured		536,808.86
b. Unsecured		34,803.86
<b>3. Break up of Leased Assets and stocks on hire and other assets counting towards AFC activities</b>		<b>Amount Outstanding</b>
i. Lease Assets including lease rentals under sundry debtors:		
a. Finance Lease		-
b. Operating Lease		-
ii. Stocks on hire including hire charges under sundry debtors:		
a. Assets on hire		-
b. Repossessed Assets		-
iii. Other Loans counting towards AFC activities:		
a. Loans where assets have been repossessed		-
b. Loans other than (a) above		-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 4. Break up of Investments:

<b>Current Investments</b>		
1. <i>Quoted</i>		
i. Shares: a. Equity		
b. Preference		-
ii. Debentures and Bonds		-
iii. Units of mutual funds		
iv. Government Securities		-
v. Others		-
2. <i>Unquoted</i>		
i. Shares: a. Equity		-
b. Preference		-
ii. Debentures and Bonds		6,857.14
iii. Units of mutual funds		-
iv. Government Securities		-
v. Others		-
<b>Long-Term Investments</b>		
1. <i>Quoted</i>		
i. Shares - Equity		-
- Preference		-
ii. Debentures and Bonds		-
iii. Units of mutual funds		-
iv. Government Securities		-
v. Others		-
2. <i>Unquoted</i>		
i. Shares - Equity		10,284.55
- Preference		1,200.00
ii. Debentures and Bonds		7,523.67
iii. Units of mutual funds		-
iv. Government Securities		-
v. Others		-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 5. Borrower group-wise classification of assets financed as in (2) and (3) above : Please see Note 2 below

Category	Amount net of provision		Total
	Secured	Unsecured	
1 Related Parties**			
a) Subsidiaries	-	2,627.57	2,627.57
b) Companies in the same group	-	-	-
c) Other related parties	-	-	-
2 Other than related parties	536,809.22	32,176.29	568,985.51
<b>Total</b>	<b>536,809.22</b>	<b>34,803.86</b>	<b>571,613.08</b>

### 6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see Note 3 below

Category	Market Value/ Break up of fair value or NAV	Book Value (Net of Provisions)
1 Related Parties**		
a) Subsidiaries	12,413.49	11,484.55
b) Companies in the same group	-	-
c) Other related parties		
2 Other than related parties	14,380.81	14,380.81
<b>Total</b>	<b>26,794.30</b>	<b>25,865.36</b>

\*\* As per Accounting Standard of ICAI (Please see Note 3)

### 7. Other information

Particulars	Amount
i. Gross Non-Performing Assets	
a) Related Parties	-
b) Other than related parties	609.96
ii. Net Non-Performing Assets	
a) Related Parties	-
b) Other than related parties	63.97
iii. Assets acquired in satisfaction of debt	-

#### Notes:

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break up/ fair value/ NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in category (4) above.

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Capital First Limited (Formerly known as Future Capital Holdings Limited)

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Capital First Limited (Formerly known as Future Capital Holdings Limited) ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)

### Other Matter

We did not audit the financial statement of one subsidiary, prepared under the generally accepted accounting principles in India, whose financial statement reflects total assets of ₹ 2,500.01 lakhs as at March 31, 2013, total revenues of ₹ 680.09 lakhs and net cash inflows amounting to ₹ 17.81 lakhs for the year then ended, as accounted in the consolidated financial statements of the Company, on the basis of unaudited financial statement as certified and furnished to us by the management and our opinion is based solely on this management certified financial statement.

For S. R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E

per Shrawan Jalan

Partner

Membership No. 102102

Place : Mumbai

Date : May 27, 2013

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013

Particulars	Note No.	₹ in Lakhs	
		As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	7,041.46	6,449.85
Reserves and Surplus	4	89,029.80	76,707.34
		96,071.26	83,157.19
<b>Non-Current Liabilities</b>			
Long term borrowings	5	442,152.57	272,033.61
Other Long term liabilities	6	2,917.50	1,336.85
Long term provisions	7	8,061.21	9,409.98
		453,131.28	282,780.44
<b>Current Liabilities</b>			
Short term borrowings	8	107,029.05	115,223.51
Trade payables	9	5,517.63	4,210.93
Other current liabilities	10	86,471.23	79,487.29
Short term provisions	11	5,773.17	4,290.85
		204,791.08	203,212.58
<b>TOTAL</b>		<b>753,993.62</b>	<b>569,150.21</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed Assets</b>			
- Tangible assets	12	2,561.83	2,471.55
- Intangible assets	12	700.46	383.20
- Capital work in process		-	201.01
- Intangible assets under development		-	140.38
- Goodwill on Consolidation		644.88	798.66
		3,907.17	3,994.80
Non - current investments	13	7,634.38	27,546.54
Deferred tax assets (Net)	14	867.43	691.93
Long term loans and advances	15	396,348.88	271,507.06
Other non current assets	16	21,544.56	16,469.83
		430,302.42	320,210.16
<b>Current Assets</b>			
Current Investments	17	6,857.14	5,765.30
Trade receivables	18	3,898.86	1,463.63
Cash and Bank Balances	19	122,060.30	50,919.67
Short term loans and advances	20	180,954.52	184,928.94
Other current assets	21	9,920.38	5,862.51
		323,691.20	248,940.05
<b>TOTAL</b>		<b>753,993.62</b>	<b>569,150.21</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the Financial Statements

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**

ICAI Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**

Partner  
Membership No. 102102  
Place : Mumbai  
Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**  
Chairman &  
Managing Director

**N. C. Singhal**  
Director

**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai  
Date : May 27, 2013

**Satish Gaikwad**  
Company Secretary



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON MARCH 31, 2013

₹ in Lakhs			
Particulars	Note No.	For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue from Operations	22	81,479.34	74,014.62
Other Income	23	482.58	359.83
<b>Total Revenue</b>		<b>81,961.92</b>	<b>74,374.45</b>
<b>EXPENSES</b>			
Employee benefits expense	24	13,936.00	8,684.15
Finance costs	25	48,342.36	39,769.75
Depreciation and Amortisation expense	26	699.81	548.62
Other expenses	27	13,792.93	10,212.56
<b>Total Expenses</b>		<b>76,771.10</b>	<b>59,215.08</b>
<b>Profit before exceptional items and tax</b>		<b>5,190.82</b>	<b>15,159.37</b>
Exceptional Items	28	2,130.95	-
<b>Profit before tax</b>		<b>7,321.77</b>	<b>15,159.37</b>
<b>Tax expense:</b>			
- Current tax [Includes tax of earlier years ₹ 10.66 lakhs (Previous Year: ₹ Nil)]		1,844.70	4,663.50
- Minimum Alternative Tax (MAT) Credit entitlement		(658.37)	-
- Deferred tax credit (Refer note no. 40)		(175.50)	(87.20)
		<b>1,010.83</b>	<b>4,576.30</b>
<b>Profit for the year</b>		<b>6,310.94</b>	<b>10,583.07</b>
<b>Earning per equity share:</b>			
- Basic (₹)	29	9.49	16.33
- Diluted (₹)		9.44	16.33
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**

ICAI Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**

Partner  
Membership No. 102102

Place : Mumbai

Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**  
Chairman &  
Managing Director

**N. C. Singhal**  
Director

**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai

Date : May 27, 2013

**Satish Gaikwad**  
Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash Flow From Operating Activities</b>		
Profit before tax	7,321.77	15,159.37
<b>Adjustments for :</b>		
Depreciation/amortisation	699.81	548.62
Preliminary expenses written off	4.85	1.62
Bad loans and trade receivables written off	1,100.81	707.03
Provision for doubtful loans and advances	833.77	105.26
Provision for diminution in value of investments	-	950.00
Provision for standard assets	266.78	490.51
Goodwill written off	153.79	68.57
Loss on sale of fixed assets	321.85	54.85
Provision for employee benefits	119.21	145.99
Fixed Assets written off	11.59	6.03
Profit on sale of subsidiaries	(2,130.95)	-
Excess provision written back	(36.94)	-
	<b>1,344.57</b>	<b>3,078.48</b>
<b>Operating Profit Before Working Capital Changes</b>	<b>8,666.34</b>	<b>18,237.85</b>
<b>Adjustment for changes in working capital:</b>		
Increase in Trade Receivables	(2,435.23)	(3,977.94)
Increase in Other Assets	(13,706.84)	(23,016.20)
Increase in Loans and Advances	(120,469.24)	(160,828.33)
Increase in Trade payables and other liabilities	8,465.03	44,987.49
Cash used in operations	(119,479.94)	(124,597.13)
Direct taxes paid (net of refund)	(2,787.02)	(4,841.45)
<b>Net Cash used in Operating Activities</b>	<b>(122,266.96)</b>	<b>(129,438.58)</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets including intangible assets	(1,041.00)	(2,241.69)
Sale proceeds from fixed assets	46.70	48.56
Sale proceeds from investments	28,904.44	25,226.50
Purchase of investments	(7,922.53)	(26,603.07)
<b>Net Cash generated from/(used in) Investing Activities</b>	<b>19,987.61</b>	<b>(3,569.70)</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Share Capital	313.94	-
Proceeds from issue of Compulsorily convertible Preference Shares	308.64	-
Proceeds from Securities Premium on issue of Equity Share Capital	4,760.14	-
Proceeds from Securities Premium on issue of Compulsorily convertible Preference Shares	4,691.36	-
Debt issue expenses	(2,015.44)	-
Payment of dividend	(971.98)	(971.75)
Payment of dividend tax	(157.68)	(157.64)
Refund of share application money	(2.88)	-
Proceeds from borrowings	222,527.46	202,223.87
Repayment of borrowings	(60,602.97)	(52,069.98)
<b>Net Cash generated from Financing Activities</b>	<b>168,850.59</b>	<b>149,024.50</b>
<b>Net increase in Cash and Cash Equivalents during the year</b>	<b>66,571.24</b>	<b>16,016.22</b>
Cash and Cash equivalents at beginning of the year	50,559.67	34,543.45
<b>Cash and Cash equivalents at the end of the year</b>	<b>117,130.91</b>	<b>50,559.67</b>

	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>Cash and Cash equivalents comprises of :</b>		
Cash in Hand	1,604.45	1,030.62
Balance with Banks		-
- in unpaid dividend accounts (Refer note 3 below)	8.83	5.98
- in unpaid share application money (Refer note 3 below)	20.24	23.12
- in current account	95,497.39	49,499.95
- in deposit accounts having original maturity less than three months	20,000.00	-
<b>Total</b>	<b>117,130.91</b>	<b>50,559.67</b>

### Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) - 3 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents in the balance sheet comprises of Cash in hand and Cash at bank.
- The balances are not available for use by the Company as they represent corresponding unpaid dividend liability and unpaid share application money.

As per our report of even date

### For S.R. BATLIBOI & CO. LLP

ICAI Firm Registration No. 301003E  
Chartered Accountants

### per Shrawan Jalan

Partner  
Membership No. 102102  
Place : Mumbai  
Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited  
(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**  
Chairman &  
Managing Director

**N. C. Singhal**  
Director

**Pankaj Sanklecha**  
Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai  
Date : May 27, 2013

**Satish Gaikwad**  
Company Secretary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

The Consolidated Financial Statements comprise of the Financial Statements of Capital First Limited (Formerly known as Future Capital Holdings Limited) (the 'Company' or 'CFL') and its subsidiaries (hereinafter collectively referred to as the 'Group'). The financial statements have been prepared to comply in all material respects with the notified Accounting Standard ('AS') by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 (the 'Act') and as per the guidelines issued by Reserve Bank of India ('RBI') as applicable to a Non-Banking Financial (Non-deposit accepting or holding) Companies ('NBFC Regulation'). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The notified Accounting Standards (AS) are followed by the Company insofar as they are not inconsistent with the NBFC Regulation. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the change in Accounting Policy explained in Note no 2.1(a).

#### b) Principles of consolidation

- i. The Consolidated Financial Statements are prepared in accordance with AS - 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI). The financial statements of these group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of Inter Company transactions are eliminated on consolidation.

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible unless otherwise stated, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

- ii. The subsidiary companies considered in the presentation of the consolidated financial statements are:

Particulars	Country of incorporation	Proportion of ownership interest as at March 31, 2013	Proportion of ownership interest as at March 31, 2012	Financial year ends on
<b>a) Subsidiaries :</b>				
Capital First Investment Advisory Limited (formerly known as Kshitij Investment Advisory Company Limited)	India	100%	100%	March 31
Future Capital Investment Advisors Limited @	India	NA	100%	March 31
Myra Mall Management Company Limited ##	India	NA	100%	March 31
FCH Securities and Advisors Limited @	India	NA	100%	March 31
Future Finance Limited ##	India	NA	100%	March 31
Capital First Commodities Limited (formerly known as Future Capital Commodities Limited)	India	100%	100%	March 31
Anchor Trading and Investments Private Limited	Mauritius	100%	100%	December 31
Capital First Home Finance Private Limited (formerly known as Future Capital Home Finance Private Limited)	India	100%	100%	March 31
Capital First Securities Limited (formerly known as Future Capital Securities Limited)	India	100%	100%	March 31

For the purpose of consolidated financial statements, the results of CFL and its subsidiaries for the year ended March 31, 2013 have been derived from the respective Company's audited financials of the year ended March 31, 2013, except for financial statements of Anchor Trading and Investments Private Limited which has been certified by management.

## Subsidiaries sold during the current year

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

@ Merged with Capital First Investment Advisory Limited (formerly known as Kshitij Investment Advisory Company Limited) vide Scheme of Arrangement and Amalgamation between FCH Securities and Advisors Limited ('FCHSAL'), Future Capital Investment Advisors Limited ('FCIAL') and Kshitij Investment Advisory Company Limited ('KIACL') and their respective shareholders (Scheme), approved by Court order dated April 13, 2012 but operative with retrospective effect from April 1, 2011, the appointed date.

### 2. GOODWILL ON CONSOLIDATION

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the consolidated financial statements as goodwill/ capital reserve. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The Goodwill on consolidation is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired.

#### 2.1 a) Change in Accounting Policy

1. During the year ended March 31, 2013, the Company has changed its accounting policy related to provisioning for non-performing gold loans and consumer durable loans. Consequent to the change in accounting policy, provision & write off for the year ended March 31, 2013 is lower by ₹ 1,856.45 lakhs in respect of gold loans and higher by ₹ 129.96 lakhs in respect of consumer durable loans. As a result net provisions and write off for the year ended March 31, 2013 is lower by ₹ 1,726.49 lakhs. The current provision based on the revised accounting policy meets the minimum provisioning norms as stipulated by RBI.
2. During the year ended March 31, 2013, the Company has changed its accounting policy related to fee income on wholesale loans and ancillary borrowing cost. As per the new policy the Company will amortise the fee income on wholesale loans over the tenure of loan and ancillary borrowing cost over the tenure of borrowings. Consequent to the change in accounting policy, the profits for the year ended March 31, 2013 is higher by ₹ 605.12 lakhs.
3. During the year ended March 31, 2013, the Company adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. Accordingly, the income from assignment transactions during the year ended March 31, 2013, is lower by ₹ 1,284.87 lakhs on account of change in the method of deferral of recognition of income, prescribed in the revised guidelines issued by the RBI.

#### b) Current / Non Current classification of assets and liabilities

As required by Revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

#### c) Use of estimates

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

#### d) Tangible Fixed assets

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

### f) Depreciation on Tangible asset / Amortisation of Intangible asset

Depreciation on tangible assets is provided using straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are depreciated on straight line basis over shorter of useful lives or primary period of lease agreements which ranges from three to five years.

Intangible assets includes domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years.

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

### g) Loans

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

### h) Leases

#### Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight line basis over the tenure of the lease.

#### Finance Lease

##### *Where the Company is the lessor*

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the Internal Rate of Return ('IRR') method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

### i) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at the pre tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

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

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### j) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net asset value.

### k) Investment Property

An investment in land or buildings, which is not intended to be occupied substantially for use, or in the operations of, the Company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any.

The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the investment property to its working condition for the intended use.

Depreciation on building component of investment property is calculated on straight line basis at the rates prescribed under the Schedule VI of the Companies Act, 1956.

On disposal of an investment, the difference between its carrying cost amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

### l) Commercial Papers

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

### m) Foreign currency transactions

#### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

#### (iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

### n) Revenue recognition

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

#### Interest income

Interest income from loans is accounted for by applying interest rate implicit in the contract.

In case of non performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

#### Income on discounted instruments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Fee income

Fee income on loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed / transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure / transfer through assignment.

### Commission and brokerage income

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

### Income from distribution of products

Income from distribution on various products is accounted on the basis of procurements undertaken during the period with a reasonable estimate towards the trail fees

### Income from Assignment of loans and receivables

In case of assignment of loans the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration to be received as reduced by the estimated provision for loss / expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

The Company adopted the accounting policy for assignment transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on August 21, 2012. As per the new policy, the income from assignment of loans and receivables will be amortised over the tenure of loans.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

### Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

### Lease Rental and Amenities

Lease rentals are recognized as an income in the Statement of Profit and Loss on a straight line basis over the primary lease period, net of service tax.

Amenities charges are recognized in accordance with the arrangements entered into with the lessees, net of service tax.

### Profit / Loss on sale of investments

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

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

#### o) Debenture issue expenses

Debenture issue expenses are debited against securities premium account in accordance with the provisions of Section 78 of the Companies Act, 1956.

#### p) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

### Gratuity

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the Statement of Profit and Loss in the period in which they arise.

In case of funded liability the Group makes contribution to a scheme administered by the Life Insurance Corporation of India ("LIC") and Future Generali India Life Insurance Company Limited to discharge the gratuity liability to employees. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method

### q) Leave Encashment

Earned leave during the financial year and remaining unutilized will be encashed at the yearend based on basic salary. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

### r) Borrowing costs

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

### s) Loan origination cost

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

### t) Income taxes

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit and Loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

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

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961*, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

### u) Provisioning / write-off of assets

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

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

The Company accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming non performing, its recognition as such and realization of available security.

The provision on non performing loans created by the Company is higher than as prescribed by the NBFC Regulation.

Provisions and write off are made against overdue retail loans as under:

Particulars	2012- 13
<b>All Retail loans other than loan against property, Consumer Durables and Loan against Gold</b>	
90 days overdue	10% provision
120 days overdue	33% provision cumulative
150 days overdue	66% provision cumulative
180 days overdue	100% write off
Loss Assets	100% write off
<b>Consumer Durables</b>	
90 days overdue	50% provision
120 days overdue	100% write off
Loss Assets	100% write off
<b>Loan against Gold</b>	
180 days overdue	10% provision
210 days overdue	25% provision
240 days overdue	50% provision
270 days overdue	75% provision
360 days overdue	100% write off
Loss Assets	100% write off
<b>Loans against Property</b>	
90 days overdue	10% provision
180 days overdue	33% provision cumulative
360 days overdue	66% provision cumulative
720 days overdue	100% write off
Loss Assets	100% write off

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### *Provision on other than Retail loans*

Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

### v) **Employee Stock Option Scheme ('ESOS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of the Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

### w) **Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### x) **Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### y) **Contingent liabilities**

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

### z) **Cash and Cash Equivalents**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>3. SHARE CAPITAL</b>		
<b>Authorized:</b>		
103,000,000 (Previous Year: 113,000,000) Equity shares of ₹ 10/- each	10,300.00	11,300.00
10,000,000 (Previous Year: Nil) Compulsorily Convertible Preference shares ('CCPS') of ₹ 10/- each	1,000.00	-
	<b>11,300.00</b>	<b>11,300.00</b>
<b>Issued, subscribed and fully paid up:</b>		
71,024,324 (Previous Year: 64,798,484) Equity shares of ₹ 10/- each	7,102.43	6,479.85
Less: 609,713 (Previous Year: 300,000) Equity shares issued to Employee Welfare Trusts but not allotted to Employees (Refer note no. 43)	(60.97)	(30.00)
	<b>7,041.46</b>	<b>6,449.85</b>

a. **Reclassification of authorised share capital**

During the year, pursuant to the approval of the shareholders sought through Postal Ballot results of which were announced on 5th July, 2012, the authorized share capital of the Company has been re-classified into 103,000,000 equity shares of ₹ 10/- each and 10,000,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, aggregating to ₹ 11,300.00 lakhs.

b. **Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the reporting year:**

	As at March 31, 2013		As at March 31, 2012	
	Number	₹ in Lakhs	Number	₹ in Lakhs
At the beginning of the year	64,798,484	6,479.85	64,783,484	6,478.35
Issued during the year- Employees Stock Option Scheme	53,000	5.30	15,000	1.50
Issued during the year (Refer note no. 39)	3,086,420	308.64	-	-
Conversion of Compulsory Convertible Preference Shares into Equity Shares (Refer note no. 39)	3,086,420	308.64	-	-
At the close of the reporting year	<b>71,024,324</b>	<b>7,102.43</b>	<b>64,798,484</b>	<b>6,479.85</b>

c. **Reconciliation of number of CCPS and amount outstanding at the beginning and at the end of the reporting year:**

	As at March 31, 2013		As at March 31, 2012	
	Number	₹ in Lakhs	Number	₹ in Lakhs
At the beginning of the year	-	-	-	-
Issued during the year (Refer note no. 39)	3,086,420	308.64	-	-
Conversion into Equity Shares (Refer note no. 39)	(3,086,420)	(308.64)	-	-
At the close of the reporting year	-	-	-	-

d. **Terms / Rights attached to Equity Shares:**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

e. **Shares held by the holding company and the subsidiary of the ultimate holding company:**

	As at March 31, 2013		As at March 31, 2012	
	Number	₹ in Lakhs	Number	₹ in Lakhs
Equity shares of ₹ 10 each				
Cloverdell Investment Ltd	49,880,500	4,988.05	-	-
Dayside Investment Ltd	243,761	24.38	-	-
Pantaloon Retail (India) Limited	-	-	34,779,999	3,478.00

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

f. **Particulars of equity share holders holding more than 5% of the total number of equity share capital:**

	As at March 31, 2013		As at March 31, 2012	
	Number	%	Number	%
Cloverdell Investment Ltd	49,880,500	70.23%	-	-
Pantaloon Retail (India) Limited	6,479,848	9.12%	34,779,999	53.67%
JV & Associates LLP	4,773,795	6.72%		

	As at March 31, 2013	As at March 31, 2012
g. Securities convertible into equity shares:	Nil	Nil
h. Shares reserved for issue under options for the sale of shares/disinvestment (Refer note no. 32)	4,024,000	2,578,500
i. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceding the reporting date.	Nil	Nil

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>4. RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Balance as per last Balance Sheet	5,925.00	-
Add : Transferred during the year (Refer note no. 42)	-	5,925.00
	5,925.00	5,925.00
<b>Statutory Reserve under Section 45-IC of the RBI Act, 1934</b>		
Balance as per last Balance Sheet	4,306.94	2,443.55
Less : Reduction on account of sale of subsidiary i.e. Future Finance Limited (Refer note no. 28(ii))	(2.28)	-
Add : Transferred from Statement of Profit and Loss	1,395.48	1,863.39
	5,700.14	4,306.94
<b>Securities Premium Account</b>		
Balance as per last Balance Sheet	63,173.65	63,159.85
Add : Received during the year (Refer note no. 39)	9,451.50	13.80
Less : Debenture issue expenses	(2,015.44)	-
	70,609.71	63,173.65
Less: 609,713 shares (Previous Year: 300,000) issued to Employee Welfare Trusts but not allotted to Employees (Refer note no. 43)	(1,457.38)	(1,096.35)
	69,152.33	62,077.30
<b>Foreign Exchange Fluctuation Reserve</b>	229.55	122.53
<b>General Reserve</b>		
Balance as per last Balance Sheet	737.27	276.30
Add : Transferred from Statement of Profit and Loss	523.30	460.97
	1,260.57	737.27
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	3,538.30	(3,590.75)
Add: Loss of subsidiary excluded on sale	327.46	-
Add: Profit for the year	6,310.94	10,583.07
<b>Less: Appropriations:</b>		
Transfer to statutory reserve u/s 45-IC of the RBI Act, 1934	(1,395.48)	(1,863.39)
Proposed dividend (Amount per share ₹ 1.80 (Previous year ₹ 1.50))	(1,278.44)	(971.98)
Dividend tax thereon	(217.27)	(157.68)
Transfer to general reserve	(523.30)	(460.97)
	6,762.21	3,538.30
	89,029.80	76,707.34

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

₹ in Lakhs

Particulars	Non Current Portion		Current Maturities*	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>5. LONG TERM BORROWINGS</b>				
<b>Secured</b>				
Redeemable Non Convertible Debentures	68,910.00	51,410.00	2,500.00	-
Term Loans				
- from Banks	318,244.99	200,623.61	71,333.33	51,375.00
<b>Unsecured</b>				
Redeemable Non Convertible Perpetual Debentures	12,500.00	-	-	-
Redeemable Non Convertible Debentures (Subordinated debt)	15,000.00	-	-	-
Term Loans				
- from Banks (Subordinate debt)	27,497.58	20,000.00	-	-
	<b>442,152.57</b>	<b>272,033.61</b>	<b>73,833.33</b>	<b>51,375.00</b>

\* Amount disclosed under the head 'Other current liabilities' (Refer note no. 10)

a. **Security details for Secured Redeemable Non Convertible Debentures**

Debentures are secured by first charge on the fixed asset owned by the Company and first exclusive charge on the standard receivables of retail and corporate loan assets and other current assets of the Company.

b. **Particulars of Secured Redeemable Non Convertible Debentures**

₹ in Lakhs

Particulars	Face Value (₹ in Lakhs)	Quantity	Date of Redemption	As at	As at
				March 31, 2013	March 31, 2012
10.00% CAPFIRSTNCD Series 2	10.00	1,000	March 20, 2018	10,000.00	-
10.00% CAPFIRSTNCD Series 1	10.00	1,000	February 15, 2018	10,000.00	-
11.25%,Tranche 2	10.00	1,250	December 1, 2015	12,500.00	12,500.00
11.25%,Tranche 1	10.00	1,250	October 1, 2015	12,500.00	12,500.00
10.25%,Tranche 2-A *	10.00	60	August 31, 2015	600.00	600.00
11.00%,Tranche 2-B3	10.00	4	August 31, 2015	40.00	40.00
10.25%,Tranche 1-A *	10.00	1,251	August 16, 2015	12,510.00	12,510.00
11.00%,Tranche 1-B3	10.00	428	August 16, 2015	4,280.00	4,280.00
11.00%,Tranche 2-B2	10.00	3	February 28, 2015	30.00	30.00
11.00%,Tranche 1-B2	10.00	321	February 16, 2015	3,210.00	3,210.00
11.00%,Tranche 2-B1	10.00	3	August 31, 2014	30.00	30.00
11.00%,Tranche 1-B1	10.00	321	August 16, 2014	3,210.00	3,210.00
10.35%,Tranche 1	10.00	250	December 30, 2013	2,500.00	2,500.00
				<b>71,410.00</b>	<b>51,410.00</b>

\* These Debentures have tenure of 5 years subject to call/put option with the lender/investor to be exercised only after 3 years from the date of issue.

c. **Security details for Secured Term loans**

- 1 Term loans of ₹ NIL (Previous year: ₹ 65,002.75 lakhs) is secured by way of first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary Company and corporate guarantee of the subsidiary Company to the extent of the realisable value of the collateral security.
- 2 Term loans of ₹ 330,342.72 lakhs (Previous year: ₹ 166,996.03 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.
- 3 Term loans of ₹ 12,979.90 lakhs (Previous Year: ₹ 19,999.82 lakhs) is secured by way of first exclusive charge on receivables of priority sector lending of the Company.
- 4 Term loans of ₹ 46,255.70 lakhs (Previous Year: ₹ Nil) is secured by way of first exclusive charge on receivables of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 5. LONG TERM BORROWINGS (Contd.)

d. Particulars of Unsecured Redeemable Non Convertible Perpetual Debentures					₹ in Lakhs	
Particulars	Issue Date	Coupon	Quantity	As at March 31, 2013	As at March 31, 2012	
CAPFIRSTPEPNCD Series 1	March 8, 2013	11%	1,000	10,000.00	-	
CAPFIRSTPEPNCD Series 2	March 14, 2013	11%	250	2,500.00	-	
				12,500.00	-	

Particulars	As at March 31, 2013	As at March 31, 2012
Funds raised through perpetual debentures	12,500.00	-
Amount outstanding as at the end of the year	12,500.00	-
Percentage of Perpetual Debt Instrument to Total Tier I Capital	12.41%	-
Financial year in which interest on Perpetual Debt Instrument is not paid on account of Lock-in-clause	NA	NA

These Debentures have a 'Call Option' which may be exercised by the Company only after the instrument has run for a period of ten years from the date of allotment. Further, call option shall be exercised by the Company only with the prior approval of Reserve Bank of India (RBI) and as per RBI guidelines. It also have a coupon rate step-up option of 100 bps, which shall be exercised only once during the whole life of the instrument, in conjunction with the Call Option, after the lapse of 10 years from the date of allotment of issue. On exercise of this option the coupon rate will be higher by 100 bps for subsequent years, if Call Option is not exercised by the Company. The claim of the investors shall be pari passu among themselves and with other subordinated indebtedness of the Company, superior to the claims of investors in equity shares and subordinate to the claims of all other unsecured creditors and depositors of the Company, as regards repayment of principal and interest by the Issuer

e. Particulars of Unsecured Redeemable Non Convertible Debentures (Subordinated debt)					₹ in Lakhs	
Particulars	Face Value (₹ in Lakhs)	Quantity	Date of Redemption	As at March 31, 2013	As at March 31, 2012	
10.30% CAPFIRSTUNNCD Series 1	10.00	1,000	February 28, 2023	10,000.00	-	
10.30% CAPFIRSTUNNCD Series 2	10.00	500	February 28, 2023	5,000.00	-	
				15,000.00	-	

#### f. Terms of repayment

##### Term loans from Banks -Secured

As at March 31, 2013

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 Months	10.75%	Quarterly Instalments	22,500.00	2,500.00
48-60 months	10.50% to 10.75%	Quarterly Instalments	157,485.62	10,000.00
36-48 months	10.30% to 11.25%	Semi-Annual & Quarterly Instalments	134,092.70	50,500.00
24-36 months	10.70%	Quarterly Instalments	4,166.67	3,333.33
Upto 12 months	10.75%	Quarterly Instalments	-	5,000.00
<b>Grand Total</b>			<b>318,244.99</b>	<b>71,333.33</b>

As at March 31, 2012

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 Months	11.75% to 12.25%	Bullet and Quarterly Instalments	29,498.61	7,500.00
48-60 months	10.75% to 12.25%	Monthly and Quarterly Instalments	151,125.00	13,875.00
36-48 months	11.15% to 12.15%	Bullet, Monthly and Quarterly Instalments	15,000.00	5,000.00
12-24 months	11.25%	Bullet, Monthly and Quarterly Instalments	5,000.00	5,000.00
Upto 12 months	11.65%	Bullet Payment on Maturity	-	20,000.00
<b>Grand Total</b>			<b>200,623.61</b>	<b>51,375.00</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 5. LONG TERM BORROWINGS (Contd.)

Term Loan from bank- Unsecured

As at March 31, 2013

₹ in Lakhs

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 months	10.50% to 11.75%	Bullet	27,497.58	-
<b>Grand Total</b>			<b>27,497.58</b>	<b>-</b>

As at March 31, 2012

Tenor	Rate of interest	Repayment	Non-Current portion	Current Maturities
More than 60 months	12.20%	Bullet	20,000.00	-
<b>Grand Total</b>			<b>20,000.00</b>	<b>-</b>

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>6. OTHER LONG TERM LIABILITIES</b>		
Cash collateral against retail loans	-	1.20
Unamortised processing fees/ subvention income	2,893.21	1,091.73
Security Deposits	-	219.62
Others	24.29	24.30
	<b>2,917.50</b>	<b>1,336.85</b>
<b>7. LONG TERM PROVISIONS</b>		
For standard assets	1,006.71	766.32
Loan loss provision	20.00	280.00
For foreclosure/ credit loss on assignment	6,866.40	8,265.90
Provisions for employee benefits		
- Gratuity	168.10	97.76
	<b>8,061.21</b>	<b>9,409.98</b>
<b>8. SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Loans repayable on demand		
- from banks *	104,546.10	79,728.36
<b>Unsecured</b>		
Commercial papers	2,482.95	35,495.15
<b>Total</b>	<b>107,029.05</b>	<b>115,223.51</b>

\* Additional Information:

- Cash credit of ₹ NIL (Previous Year: ₹ 14,972.31 lakhs) is secured by pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.
- Cash credit (including Working Capital Demand Loan) of ₹ 64,667.15 lakhs (Previous Year: ₹ 64,756.05 lakhs) is secured by way of first pari passu charge on receivables of retail, wholesale credit and current assets of the Company.
- Cash credit of ₹ 39,878.95 lakhs (Previous Year: ₹ Nil) is secured by way of first exclusive charge on receivables of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>9. TRADE PAYABLES</b>		
To Micro, Small and Medium Enterprises *	-	-
Trade payables	5,517.63	4,210.93
	<b>5,517.63</b>	<b>4,210.93</b>
<b>* Disclosure under Micro, Small and Medium Enterprises Development Act, 2006</b>		
There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2013. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act, 2006 (Act) has been determined to the extent such parties have been identified by the Company.		
<b>10. OTHER CURRENT LIABILITIES:</b>		
Current maturities of Long term borrowings (Refer note no. 5)	73,833.33	51,375.00
Interest accrued but not due on borrowings	2,488.13	1,671.19
Interest accrued and due on borrowings	180.54	511.42
Income received in advance	29.95	97.00
Advance received from Customers	485.86	926.38
Overdrawn Book balance	1,731.53	20,256.16
Unamortised processing fees/ subvention income	2,838.39	604.37
Unclaimed dividends	8.83	5.98
Unclaimed Share Application Money	20.24	23.12
Security Deposits	47.89	39.05
Other liabilities	4,806.54	3,977.62
	<b>86,471.23</b>	<b>79,487.29</b>
<b>11. SHORT TERM PROVISIONS:</b>		
Provision for employee benefits		
- Gratuity	18.68	25.73
- Leave encashment and availment (Refer note no. 44)	169.12	113.20
Proposed dividend	1,278.44	971.98
Dividend tax thereon	217.27	157.68
For standard assets	491.59	465.20
For doubtful loans and advances (Refer note no. 2.1(a)(1))	578.83	465.27
For doubtful debts	1,136.60	174.64
For doubtful deposits	18.25	-
For foreclosure/ credit loss on assignment	1,822.36	1,868.94
For income tax (net of advance taxes)	42.03	48.21
	<b>5,773.17</b>	<b>4,290.85</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

₹ in Lakhs

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at April 1, 2012	Additions for the year	Deletions/ Adjustments during the year	Deletion on sale of subsidiaries	As at March 31, 2013	As at April 1, 2012	For the year	Deletions/ Adjustments during the year	Deletion on sale of subsidiaries	As at March 31, 2013	As at March 31, 2012
										As at March 31, 2013	As at March 31, 2012
<b>Tangible Assets</b>											
Own assets											
Land *	6.25	-	-	-	6.25	-	-	-	-	6.25	6.25
Computers and Printers	1,531.96	572.58	118.72	1.88	1,983.94	835.34	224.37	93.20	1.88	964.63	1,019.31
Office Equipment	705.07	137.20	135.57	1.06	705.64	203.15	45.01	36.34	0.77	211.05	494.59
Furniture and Fixtures	737.83	79.28	164.19	2.79	650.13	259.48	41.12	53.33	0.92	246.35	403.78
Electrical Installation	244.68	34.93	62.56	14.30	202.75	21.18	11.94	15.62	3.76	13.74	189.01
Air Conditioners	108.87	0.55	36.80	-	72.62	58.69	2.29	9.16	-	51.82	20.80
Leasehold Improvements	1,327.41	103.37	169.60	-	1,261.18	824.57	150.70	142.18	-	833.09	428.09
Vehicles	20.63	-	-	-	20.63	20.63	-	-	-	20.63	-
Generator set	15.65	-	-	15.65	-	3.76	0.19	-	3.95	-	11.89
<b>Sub-Total (A)</b>	<b>4,698.35</b>	<b>927.91</b>	<b>687.44</b>	<b>35.68</b>	<b>4,903.14</b>	<b>2,226.80</b>	<b>475.62</b>	<b>349.83</b>	<b>11.28</b>	<b>2,341.31</b>	<b>2,561.83</b>
<b>Intangible Assets</b>											
Domain and Trade Names	15.94	20.83	20.46	-	16.31	11.93	5.70	1.68	-	15.95	0.36
Data Processing Software	678.73	509.00	0.38	-	1,187.35	299.54	187.85	0.14	-	487.25	700.10
<b>Sub-Total (B)</b>	<b>694.67</b>	<b>529.83</b>	<b>20.84</b>	<b>-</b>	<b>1,203.66</b>	<b>311.47</b>	<b>193.55</b>	<b>1.82</b>	<b>-</b>	<b>503.20</b>	<b>700.46</b>
<b>Total (A+B)</b>	<b>5,393.02</b>	<b>1,457.74</b>	<b>708.28</b>	<b>35.68</b>	<b>6,106.80</b>	<b>2,538.27</b>	<b>669.17</b>	<b>351.65</b>	<b>11.28</b>	<b>2,844.51</b>	<b>3,262.29</b>

\* Mortgaged as security against Secured Non Convertible Debentures

₹ in Lakhs

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at April 1, 2011	Adjustment on account of inclusion/ (exclusion) of subsidiary	Additions for the year	Deletion/ Adjustments during the year	As at March 31, 2012	As at April 1, 2011	Adjustment on account of inclusion/ (exclusion) of subsidiary	For the year	Deletion/ Adjustments during the year	As at March 31, 2012	As at March 31, 2011
										As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>											
Own assets											
Land *	6.25	-	-	-	6.25	-	-	-	-	6.25	6.25
Computers and Printers	1,028.00	(35.91)	588.48	48.61	1,531.96	749.55	(23.22)	131.55	22.54	835.34	696.62
Office Equipment	307.14	(1.86)	401.45	1.66	705.07	177.77	(0.39)	25.83	0.06	203.15	501.92
Furniture and Fixtures	490.51	-	339.81	92.49	737.83	249.22	-	37.83	27.57	259.48	478.35
Electrical Installation	69.92	-	174.76	-	244.68	14.39	-	6.79	-	21.18	223.50
Air Conditioners	103.21	-	6.72	1.06	108.87	57.39	-	1.68	0.38	58.69	50.18
Leasehold Improvements	799.78	-	530.98	3.35	1,327.41	721.78	-	105.49	2.70	824.57	502.84
Vehicles	29.38	-	-	8.74	20.63	13.98	-	9.56	2.91	20.63	-
Hard furnishings	1.86	(1.86)	-	-	-	1.41	(1.41)	-	-	-	-
Generator set	15.65	-	-	-	-	3.02	-	0.74	-	3.76	11.89
<b>Sub-Total (A)</b>	<b>2,851.70</b>	<b>(39.63)</b>	<b>2,042.20</b>	<b>155.91</b>	<b>4,698.35</b>	<b>1,988.51</b>	<b>(25.02)</b>	<b>319.47</b>	<b>56.16</b>	<b>2,226.80</b>	<b>2,471.55</b>
<b>Intangible Assets</b>											
Domain and Trade Names	15.88	-	0.06	-	15.94	9.44	-	2.49	-	11.93	4.01
Data Processing Software	439.68	-	239.05	-	678.73	195.50	-	104.04	-	299.54	379.19
<b>Sub-Total (B)</b>	<b>455.56</b>	<b>-</b>	<b>239.11</b>	<b>-</b>	<b>694.67</b>	<b>204.94</b>	<b>-</b>	<b>106.53</b>	<b>-</b>	<b>311.47</b>	<b>383.20</b>
<b>Total (A+B)</b>	<b>3,307.26</b>	<b>(39.63)</b>	<b>2,281.31</b>	<b>155.91</b>	<b>5,393.02</b>	<b>2,193.45</b>	<b>(25.02)</b>	<b>426.00</b>	<b>56.16</b>	<b>2,538.27</b>	<b>2,854.75</b>

\* Mortgaged as security against Secured Non Convertible Debentures

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Name of the Company	As at		₹ in Lakhs	
	Quantity	March 31, 2013	Quantity	March 31, 2012
<b>13. NON - CURRENT INVESTMENTS</b>				
<b>Investment property</b>				
Building				
Gross Block		-		7,557.93
Less: Accumulated Depreciation		-		(678.41)
Net Block		-		6,879.52
<b>Trade Investments: (Valued at Cost unless otherwise stated)</b>				
<b>Investments in Equity Instruments (Unquoted):</b>				
<u>In fully paid up equity shares of ₹ 10 each</u>				
Ayati Investment Advisors Limited	-	-	600,000	600.00
IndoSpace Rohan Industrial Park Private Limited (formerly known as Rohan Realty Private Limited)	7,146	21.95	7,146	21.95
IndoSpace Rohan Industrial Park Mahalunge Private Limited (formerly known as Rohan Brothers Builders Private Limited)	105	20.01	105	20.02
IndoSpace Rohan Industrial Park Khed Private Limited (formerly known as Rohan Buildwell Private Limited)	166	24.34	166	24.34
IndoSpace Rohan Industrial Park Pune Private Limited (formerly known as Rohan Erectors Private Limited)	105	20.05	105	20.05
Indospace SKCL Industrial Park Orgadem Private Limited (formerly known as IndoSpace Logistics Parks Private Limited)	12,025	16.56	12,025	16.56
Indospace FWS Industrial Park Private Limited (Formerly known as Future Warehouse Management Services Private Limited)	3,957	7.80	3,957	7.80
		<b>110.71</b>		<b>710.72</b>
Less: Provision for diminution in value of investments		-		600.00
		<b>110.71</b>		<b>110.72</b>
<b>Investments in Equity Instruments (Quoted):</b>				
<u>In fully paid up equity shares of ₹ 10 each</u>				
Centrum Capital Limited		-	105,783	1,500.00
Less: Provision for diminution in investments		-		350.00
		-		1,150.00
<b>Total</b>		<b>110.71</b>		<b>1,260.72</b>
<b>Non Trade Investments: (Valued at Cost unless otherwise stated)</b>				
<b>Investments in debentures (Unquoted) * :</b>				
18.75%, Secured redeemable non-convertible debentures of Kanakia Bhumi Construction Private Limited, fully paid up of ₹ 100.00 lakhs each		-	90	7,500.00
18.75%, Secured redeemable non-convertible debentures of Kanakia Spaces Private Limited, fully paid up of ₹ 100.00 lakhs each		-	40	3,334.00
16%, Secured redeemable non-convertible debentures of Keystone Realtors Private Limited, fully paid up of ₹ 100.00 lakhs each	12	1,714.28	12	8,572.11
16%, Secured redeemable non-convertible debentures of Omkar Realtors & Developer Limited, fully paid up of ₹ 1.00 lakhs each	6,000	5,809.39		-
		<b>7,523.67</b>		<b>19,406.11</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Name of the Company	₹ in Lakhs			
	Quantity	As at March 31, 2013	Quantity	As at March 31, 2012
<b>13. NON - CURRENT INVESTMENTS (Contd.)</b>				
<b>Investments in Bonds (Unquoted):</b>				
In fully paid up bonds of ₹ 100 each				
Government Bonds		-	189	0.19
		-		0.19
<b>Total</b>		<b>7,634.38</b>		<b>27,546.54</b>
<b>Additional Information:</b>				
Aggregate market value of quoted Investments		-		1,163.61
Aggregate value of quoted investments:		-		1,500.00
Aggregate value of unquoted investments:		<b>7,634.38</b>		<b>20,117.02</b>
Aggregate provision for diminution in value of investments:		-		950.00

\* Current maturities of ₹ 6,857.14 lakhs (Previous Year: ₹ 4,744.00 lakhs) is shown under note no. 17

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>14. DEFERRED TAX ASSETS (NET)</b>		
(Refer note no. 40)		
<b>Deferred tax asset:</b>		
On account of depreciation on fixed assets	336.00	344.48
On other disallowances under Income Tax Act, 1961		
- Retirement Benefit	63.48	74.13
- Provision for doubtful debts	94.62	45.56
- Provision for doubtful retail loans	192.38	139.09
- Unamortised Processing fees	1,948.17	-
- Provision for standard assets	509.27	-
- Other disallowance	6.20	88.67
	<b>3,150.12</b>	<b>691.93</b>
<b>Deferred tax liability:</b>		
Unamortised loan origination cost	1,644.52	-
Unamortised Bank fees	638.18	-
	<b>2,282.70</b>	<b>-</b>
<b>Net Deferred tax assets</b>	<b>867.42</b>	<b>691.93</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>18. TRADE RECEIVABLES</b>		
Outstanding for a period exceeding six months from the date they are due for payment		
- Secured, considered good	4.83	2.10
- Secured, considered doubtful	-	9.64
- Unsecured, considered doubtful	283.11	133.22
	<b>287.94</b>	<b>144.96</b>
Other debts		
- Secured, considered good	1,255.07	423.04
- Unsecured, considered good	2,311.88	854.22
- Unsecured, considered doubtful	43.97	41.41
	<b>3,610.92</b>	<b>1,318.67</b>
	<b>3,898.86</b>	<b>1,463.63</b>
<b>19. CASH AND BANK BALANCES</b>		
<b>Cash and Cash Equivalents:</b>		
Cash on hand *	1,604.45	1,030.62
Balances with Banks		
- in unclaimed dividend accounts	8.83	5.98
- in unclaimed share application money	20.24	23.12
- in current accounts	95,497.39	49,499.95
- in deposit accounts having original maturity less than three months	20,000.00	-
	<b>117,130.91</b>	<b>50,559.67</b>
<b>Other Bank Balances:</b>		
Deposit with original maturity for more than three months but less than twelve months		
- in fixed deposit accounts	4,431.89	50.00
- in fixed deposit accounts lien against Bank Guarantee	487.50	300.00
- in fixed deposit account earmarked against Trade Guarantee Fund	10.00	10.00
	<b>122,060.30</b>	<b>50,919.67</b>
*Includes Cash in transit amounting to ₹ 169.36 lakhs (Previous year ₹ 149.53 lakhs)		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
<b>20. SHORT TERM LOANS AND ADVANCES</b>		
<i>Secured, considered good</i>		
Loans and advances relating to financing activity *	133,336.24	173,884.46
Current maturity of finance lease	-	78.71
Receivables under loans assigned	21,690.00	-
<i>Secured, considered doubtful</i>		
Loans and advances relating to financing activity *	1,766.91	1,950.37
<i>Unsecured, considered good</i>		
Loans and advances relating to financing activity *	19,425.40	5,503.21
Receivables under loans assigned	1,642.28	1,408.97
Advances recoverable in cash or in kind or for value to be received	2,831.50	1,691.37
Security Deposits	45.02	35.32
<i>Unsecured, considered doubtful</i>		
Security Deposits	18.25	-
Loans and advances to related parties	-	0.21
Loans and advances relating to financing activity *	166.10	339.94
Advances recoverable in cash or in kind or for value to be received	32.82	36.38
	<b>180,954.52</b>	<b>184,928.94</b>
* Includes current maturities of long term loans and advances and overdue advances.		
<b>21. OTHER CURRENT ASSETS</b>		
Interest accrued but not due	6,928.91	3,580.64
Interest accrued and due	750.88	1,515.34
Unamortised loan origination cost (Refer note no. 37(a))	1,368.44	584.65
Unamortised bank fee (Refer note no. 37(b))	471.82	-
Unbilled Subvention Income	369.65	156.63
Others	30.68	25.25
	<b>9,920.38</b>	<b>5,862.51</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>22. REVENUE FROM OPERATIONS</b>		
Interest income	72,839.45	55,423.18
<b>Other financial services</b>		
Fee income (Refer note no. 2.1(a)(2))	2,167.56	7,869.00
Rental income	108.68	654.24
Income from assignment of loans (Refer note no. 2.1(a)(3))	2,920.85	7,052.69
Profit on sale of current investments (net)	415.18	320.88
Profit on sale of Leased Assets	11.45	7.83
Management fees	748.32	1,593.01
Commission and brokerage Income	2,184.33	1,093.79
Profit on trading in commodities (net)	83.52	-
	<b>81,479.34</b>	<b>74,014.62</b>
<b>23. OTHER INCOME</b>		
Interest on income tax refund	110.81	79.37
Excess provision written back	36.94	-
Other non operating income	334.83	280.46
	<b>482.58</b>	<b>359.83</b>
<b>24. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	12,837.78	7,901.93
Contribution to provident and other funds	412.62	290.56
Remuneration to whole time directors	437.03	353.88
Staff welfare expenses	248.57	137.78
	<b>13,936.00</b>	<b>8,684.15</b>
<b>25. FINANCE COSTS</b>		
Interest expense (Refer note no. 2.1(a)(2))	43,299.69	29,260.17
Other borrowing costs	5,042.67	10,509.58
	<b>48,342.36</b>	<b>39,769.75</b>
<b>26. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation on Fixed Assets	475.62	319.48
Depreciation on Investment Property	30.64	122.61
Amortisation of intangible assets	193.55	106.53
	<b>699.81</b>	<b>548.62</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

₹ in Lakhs

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>27. OTHER EXPENSES</b>		
Rent	1,567.80	1,253.17
Repairs to buildings	-	1.65
Repairs others	578.37	317.44
Insurance	54.84	39.92
Rates and taxes	199.58	149.25
Auditors Remuneration		
- as auditor	64.00	46.31
- for other services	6.52	1.00
- for reimbursement of expenses	3.72	3.77
Business promotion expenses	262.05	111.18
Commission and brokerage	289.61	100.73
Travelling expenses	600.66	430.15
Communication expenses	670.74	359.05
Printing and stationery	215.81	206.90
Postage and courier	20.31	-
Recruitment expenses	167.25	244.71
Membership and subscription	26.82	30.10
Advertisement, publicity and sales promotion expenses	371.53	198.13
Electricity charges	225.32	163.98
Amortised loan origination cost	1,964.34	1,797.36
<b>Provision and Write offs:</b>		
Provision for doubtful loans and advances (Refer note no. 2.1(a)(1))	833.77	105.26
Provision for diminution in value of investments		
- Others	-	350.00
Provision for standard assets	266.78	1,090.51
Bad loans and trade receivables written off	1,100.81	707.03
	2,201.36	2,252.80
Loss on sale of fixed asset (including write off) (net)	321.85	54.85
Fixed Assets Written Off	11.59	6.03
Donations	1.50	9.52
Legal and professional charges	1,586.59	1,351.95
CMS Charges	1,457.79	282.07
Directors sitting fees	18.82	11.90
Collection expenses	254.00	348.02
Remuneration to non whole time directors		
- Commission	48.00	50.00
Preliminary expenses written off	4.85	-
Miscellaneous expenses	597.31	390.62
	13,792.93	10,212.56
<b>28. Exceptional items</b>		
Profit on sale of subsidiary	2,130.95	-
	2,130.95	-

- (i) During the year ended March 31, 2013, the Company has sold its stake in Myra Mall Management Company Limited vide Share Purchase Agreement dated July 09, 2012 for a consideration of ₹ 2,236.00 lakhs. The profit of ₹ 2,236.00 lakhs on sale of shares has been reported as exceptional items.
- (ii) During the year ended March 31, 2013, the Company has sold its stake in Future Finance Limited vide Share Purchase Agreement dated September 17, 2012 for a net consideration of ₹ 1,520.47 lakhs. The net loss of ₹ 105.05 lakhs after goodwill write off has been reported as exceptional items.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>29. EARNINGS PER EQUITY SHARE ('EPS')</b>		
<b>Basic EPS</b>		
Profit for the year after tax expense (₹ in Lakhs)	6,310.94	10,583.07
Weighted average number of equity shares	66,525,931	64,798,484
Nominal value per equity share (₹)	10.00	10.00
Earning per equity share - Basic (₹)	9.49	16.33
<b>Diluted EPS</b>		
Profit for the year after tax expense (₹ in Lakhs)	6,310.94	10,583.07
Weighted average number of equity shares	66,525,931	64,798,484
Add: Weighted number of equity shares under options	331,053	7,433
Weighted average number of diluted equity shares	66,856,984	64,805,917
Nominal value per equity share (₹)	10.00	10.00
Earning per equity share - Diluted (₹)	9.44	16.33

### 30. CONTINGENT LIABILITIES AND COMMITMENTS

#### a. Contingent Liabilities not provided for in respect of:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
Guarantees given by Bank on behalf of the Group	975.00	600.00
Corporate guarantee given by Company to banks	1,900.00	900.00
Liability on account of retail trades	20.80	17.75
Income-tax matters under dispute *	362.33	231.48

\* Future cash outflows are determinable only on receipt of judgements / decisions pending with various forums / authorities.

#### b. Commitments:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
Estimated amount of contracts remaining to be executed on capital account and not provided for	205.24	291.93
Commitments relating to granting of loan	15,820.48	28,201.83

### 31. POST-EMPLOYMENT BENEFIT PLANS:

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses

The following table summarise the components of net benefit expense recognized in the Statement of Profit and Loss and amounts recognized in the balance sheet for the respective plans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

₹ in Lakhs

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
	Gratuity (Unfunded)		Gratuity (Funded)	
Present Value of the Obligation as at the beginning of the year	123.49	43.88	8.63	23.98
Interest Cost	10.19	3.51	0.71	1.92
Current Service Cost	111.22	93.52	7.39	5.40
Benefit Paid	(17.12)	(18.11)	(3.11)	(1.19)
Actuarial (gain) / loss on obligations	(41.01)	0.69	2.03	(21.48)
Present Value of the Obligation as at the end of the year	186.77	123.49	15.65	8.63

### A. Fair Value of Plan Assets

₹ in Lakhs

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
	Gratuity (Unfunded)		Gratuity (Funded)	
Fair Value of the Plan Assets as on April 1, 2012	-	-	26.69	23.28
Expected return on Plan Assets	-	-	2.33	2.50
Contributions	-	-	4.70	2.10
Benefits paid	-	-	(3.11)	(1.19)
Fair Value of the Plan Assets as on March 31, 2013	-	-	30.61	26.69

### B. Actual return on Plan Assets

₹ in Lakhs

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
	Gratuity (Unfunded)		Gratuity (Funded)	
Actual return on Plan Assets	-	-	2.33	2.50

### C. Amount recognised in the Statement of Profit and Loss

₹ in Lakhs

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
	Gratuity (Unfunded)		Gratuity (Funded)	
Interest Cost	10.19	3.51	0.71	1.92
Current Service Cost	111.22	93.52	7.39	5.40
Expected return on Plan Assets	-	-	(2.33)	(2.50)
Actuarial (gain)/ loss on obligations	(41.01)	0.69	2.03	(21.48)
Total expense recognised in the Statement of Profit and Loss	80.40	97.72	7.80	(16.66)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### D. Reconciliation of Balance Sheet

₹ in Lakhs

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
	Gratuity (Unfunded)		Gratuity (Funded)	
Present Value of the Obligation as at the beginning of the year	123.49	43.88	8.63	23.98
Total expense recognised in the Statement of Profit and Loss	80.40	97.72	7.80	(16.66)
Benefits paid	(17.12)	(18.11)	(3.11)	(1.19)
Expected Return on Plan Assets	-	-	2.33	2.50
Present Value of the Obligation as at the end of the year	186.77	123.49	15.65	8.63

The principal assumptions used in determining obligations for the Group's plans are shown below:

Assumptions	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
	Gratuity (Unfunded)		Gratuity (Funded)	
Discount rate	8.25%	8%	8.25%	8%
Increase in compensation cost	8%	8%	5%	5%
Employee turnover	2%	2%	1%	1%
Rate of Return on Plan Assets	NA	NA	9.05%	9.36%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on Balance Sheet date, applicable to the period over which the obligation is to be settled.

### 32. EMPLOYEE STOCK OPTION SCHEME ('ESOS')

#### For the year ended March 31, 2013

Particulars of Options	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011	ESOP 2012
Outstanding as at the beginning of the year	452,000	579,500	350,000	1,197,000	-
Granted during the year	-	40,000	30,000	347,500	1,315,000
Forfeited/ Cancelled during the year	100,000	20,000	30,000	69,000	15,000
Lapsed during the year	-	-	-	-	-
Exercised/ Allotted during the year	8,000	2,000	-	43,000	-
Outstanding as at the end of the year	344,000	597,500	350,000	1,432,500	1,300,000
Exercisable at the end of the year	-	162,100	160,000	217,000	-
Weighted average remaining contractual life (in years)	3.44	4.51	4.40	6.68	6.19
Weighted average fair value of options granted	₹ 146.37	₹ 102.38	₹ 154.37	₹ 97.32	₹ 98.38
Method of settlement	Equity	Equity	Equity	Equity	Equity

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### For the year ended March 31, 2012

Particulars of Options	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011	ESOP 2012
Outstanding as at the beginning of the year	459,000	569,500	350,000	-	-
Granted during the year	-	65,000	-	1,202,000	-
Forfeited/ Cancelled during the year	7,000	40,000	-	5,000	-
Lapsed during the year	-	-	-	-	-
Exercised/ Allotted during the year	-	15,000	-	-	-
Outstanding as at the end of the year	452,000	579,500	350,000	1,197,000	-
Exercisable at the end of the year	108,000	66,500	70,000	-	-
Weighted average remaining contractual life (in years)	3.75	5.07	4.86	5.70	-
Weighted average fair value of options granted	₹ 113.70	₹ 96.63	₹ 141.50	₹ 66.00	-
Method of settlement	Equity	Equity	Equity	Equity	Equity

#### ESOS 2007

No further options were granted during the year under this scheme. Options under this scheme will vest after the expiry of 3 years from the date of grant. The same will be exercisable within 4 years from the date of vesting.

#### ESOS 2008

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 40,000 equity shares to the eligible employees at an exercise price of ₹ 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

#### ESOS 2009

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 30,000 equity shares to the eligible employees at an exercise price of ₹ 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

#### ESOS 2011

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 347,500 equity shares to the eligible employees at an exercise price of ₹ 203.50. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

#### ESOS 2012

The Compensation and Nomination Committee through Resolution passed by circulation dated December 11, 2012 has granted options in respect of 1,300,000 equity shares and the said Committee at its meeting held on February 6, 2013 granted options in respect of 15,000 equity shares to the eligible employees at an exercise price of ₹ 203.50 and ₹ 175.00 respectively. The options will vest in graded proportion of 25% each year after the expiry of 1, 2, 3 and 4 year respectively. All the options are exercisable within 4 years from the date of vesting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

The fair value of the stock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	ESOS 2007/ ESOS 2008/ ESOS 2009/ ESOS 2011/ ESOS 21012
Exercise Price	ESOS 2007- Nil ESOS 2008- 40,000 stock options ESOS 2009- 30,000 stock options ESOS 2011- 347,500 stock options ESOS 2012- 1,315,000 stock options
Historical Volatility	44.98% - 53.35%
Life of the options granted (Vesting and exercise period) in years	<u>Vesting schedule:</u> 25% each year from the end of 1, 2, 3 and 4 years of the date of grant respectively <u>Exercise Period:</u> Within 4 years from the date of vesting
Dividend yield	0.90%
Average risk-free interest rate	7.90% - 8.12%

### Proforma Accounting

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Net Profit after tax as reported	6,310.94	10,583.07
Less: Employee stock compensation cost under fair value method	933.52	856.13
<b>Total</b>	<b>5,377.42</b>	<b>9,726.94</b>
Basic earnings per share as reported	9.49	16.33
Proforma Basic earnings per share	8.08	15.01
Diluted earnings per share as reported	9.44	16.33
Proforma Diluted earnings per share	8.04	15.01

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 33. SEGMENT REPORTING

#### Primary segment information (by business segments):

Segment Report as per Accounting Standard ('AS') – 17, 'Segment Reporting' for the year ended March 31, 2013:

₹ in Lakhs

Particulars	Consolidated		Financing Activities		Other reconciling items	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Primary Segment</b>						
<b>Revenue</b>						
Income from external operations	80,844.80	73,888.40	78,477.63	70,706.09	2,367.17	3,182.31
Inter segment revenue	1,117.12	486.05	562.17	220.60	554.95	265.45
<b>Total</b>	<b>81,961.92</b>	<b>74,374.45</b>	<b>79,039.80</b>	<b>70,926.69</b>	<b>2,922.12</b>	<b>3,447.76</b>
<b>Segment result</b>	<b>7,339.31</b>	<b>15,366.04</b>	<b>7,860.82</b>	<b>14,575.77</b>	<b>(521.51)</b>	<b>790.27</b>
Interest on unallocated reconciling items	(17.54)	(206.67)	-	-	(17.54)	(206.67)
Income taxes	(1,010.83)	(4,576.30)	(925.41)	(4,354.53)	(85.42)	(221.77)
<b>Net Profit after tax</b>	<b>6,310.94</b>	<b>10,583.07</b>	<b>6,935.41</b>	<b>10,221.24</b>	<b>(624.47)</b>	<b>361.83</b>
<b>Other Information</b>						
Segment assets	749,142.98	565,257.43	734,005.49	551,547.36	15,137.49	13,710.07
Other unallocated assets	4,850.64	3,892.78	4,515.11	3,524.56	335.53	368.22
<b>Total Assets</b>	<b>753,993.62</b>	<b>569,150.21</b>	<b>738,520.60</b>	<b>555,071.92</b>	<b>15,473.02</b>	<b>14,078.29</b>
Segment liabilities	657,922.36	485,993.02	655,132.77	484,076.94	2,789.59	1,916.08
Other unallocated liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>657,922.36</b>	<b>485,993.02</b>	<b>655,132.77</b>	<b>484,076.94</b>	<b>2,789.59</b>	<b>1,916.08</b>
Capital Expenditure	1,457.74	2,281.31	1,427.79	2,115.70	29.95	165.61
Depreciation/ amortisation	699.81	548.62	563.23	298.13	136.58	250.49
Other non-cash expenses	2,534.80	2,313.68	1,483.22	1,628.44	1,051.58	685.24

#### Geographical Segments:

The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 34. RELATED PARTY DISCLOSURE

Names of related parties where control exists irrespective of whether transactions have occurred or not

Relationship	Name of the Party
Holding Company	Cloverdell Investment Ltd. (w.e.f. November 2, 2012)
	Pantaloon Retail (India) Limited (upto September 28, 2012)
Fellow subsidiaries	Future Media (India) Limited (upto September 28, 2012)
	Future E-Commerce Infrastructure Limited (upto September 28, 2012)
	Future Knowledge Services Limited (upto September 28, 2012)
	Future Value Retail Limited (upto September 28, 2012)
	Home Solutions Retail India Limited (upto September 28, 2012)
	Dayside Investment Ltd. (w.e.f. November 2, 2012)
Key Management Personnel	Mr. V. Vaidyanathan - Chairman and Managing Director
Enterprises significantly influenced by key management personnel	JV & Associates LLP

Refer Annexure 1 and 1A for the transactions with related parties.

### 35. FINANCE LEASES

In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on March 31, 2013 and March 31, 2012 are as under:

Particulars	₹ in Lakhs	
	As at March 31, 2013	As at March 31, 2012
Gross investment in lease	215.64	160.42
Less: Unearned finance Income	8.04	23.32
MLP Receivables	207.60	137.10

Maturity Pattern of the Gross Investments in lease/ Present Value of MLP Receivables:

Particulars	As at March 31, 2013	As at March 31, 2012
Gross investment for each of the following years:		
<input type="checkbox"/> Not later than one year	205.53	95.44
<input type="checkbox"/> Later than one year and not later than five years	10.11	64.98
	215.64	160.42
Present value of minimum lease payment for each of the following years:		
<input type="checkbox"/> Not later than one year	198.24	78.71
<input type="checkbox"/> Later than one year and not later than five years	9.35	58.39
	207.59	137.10
Un matured finance charges	Nil	Nil
Un guaranteed residual value accruing to the benefit of lessor	Nil	Nil
Accumulated provision for minimum lease payment receivable	Nil	Nil



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 36. OPERATING LEASES

#### a. Payments

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

The aggregate lease rentals payable are charged to the Statement of Profit and Loss.

₹ in Lakhs

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Lease payments recognised in the Statement of Profit and Loss	1,567.80	1,253.17

Details of non-cancellable leases are as follows:

₹ in Lakhs

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Minimum Lease Payments:</b>		
Not later than one year	693.41	476.11
Later than one year but not later than five years	1,782.83	673.69
Later than five years	-	-

#### b. Receipts

The Group owns immovable property at Mumbai, which has been given to various lessees on a leave and license basis. Primary lease in respect of these arrangements is of 60 months, subject to mutual agreement between the Lessor and the Company.

₹ in Lakhs

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Lease income recognised in the Statement of Profit and Loss	-	499.75
<b>Minimum Lease Payments:</b>		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-

#### c. Sub-lease

The Group's sub leasing arrangements in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rental income recognized in the Statement of Profit and Loss is as follows:

₹ in Lakhs

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Lease income recognised in the Statement of Profit and Loss	-	0.60

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### 37. DEFERMENT OF LOAN ORIGINATION COST, BORROWING COST, PROCESSING FEES AND SUBVENTION INCOME

#### a. Loan origination cost

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Total loan origination cost deferred	4,663.56	3,462.91
Cost amortised and charged to Statement of Profit and Loss during the year	1,964.34	1,797.36
Unamortised cost shown into balance sheet :		
Current	1,368.44	584.65
Non-current	3,469.82	1,554.39

#### b. Borrowing cost

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Total borrowing cost deferred	2,172.03	Nil
Cost amortised and charged to Statement of Profit and Loss during the year	294.47	Nil
Unamortised borrowing cost shown into balance sheet :		
Current	471.82	Nil
Non-current	1,405.74	Nil

#### c. Processing fees and subvention income

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Total unamortised income from processing fees/ subvention income deferred	7,423.54	3,026.55
Income amortised and credited during the year to:		
- Fee income	1,512.03	1,201.09
- Interest income	1,876.01	616.95
Unamortised processing fees/ subvention income shown into balance sheet:		
Current	2,838.39	604.37
Non-current	2,893.21	1,091.73

38. The Group sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

Particulars	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
No. of loan assets assigned	748	4,539
Book value of loan assets directly assigned	57,587.02	146,574.51
Sale consideration received	57,587.02	154,980.42
Income on account of direct assignment (net)	2,920.85	7,052.69
Outstanding credit enhancement – Fixed Deposit	16,667.10	13,766.14

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

The information on assignment of the Company as an originator in respect of outstanding amount of assigned assets is given below:

₹ in Lakhs

Sl. No.	Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
1	No of SPVs sponsored by the bank for assignment transactions	NA	NA
2	Total amount of assigned assets as per books of the SPVs sponsored by the bank	NA	NA
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	• First loss	-	-
	• Others	-	-
	b) On-balance sheet exposures		
	• First loss	-	-
	• Others	2,018.47	-
4	Amount of exposures to assignment transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own assignments		
	• First loss	NA	NA
	• Others	NA	NA
	ii) Exposure to third party assignments		
	• First loss	NA	NA
	• Others	NA	NA
	b) On-balance sheet exposures		
	i) Exposure to own assignments		
	• First loss	NA	NA
	• Others	NA	NA
	ii) Exposure to third party assignments		
	• First loss	NA	NA
	• Others	NA	NA

**Note:** As the circular No. DNBS. PD. No. 301/3.10.01/2012-13 is effective from August 21, 2012, hence assignment done after circular date are considered for disclosure purpose only.

39. The Board at its Meeting held on 4th June, 2012 had approved the execution of Share Purchase Agreement (SPA) with Pantaloon Retail (India) Limited, Future Value Retail Limited, Mr. Kishore Biyani and Cloverdell Investment Ltd (“Cloverdell”) and also the execution of Share Subscription Agreement (SSA) with Cloverdell pursuant to which open offer was also proposed by Cloverdell. Consequently, the Board of Directors at its Meeting held on September 28, 2012 allotted 3,086,420, 0.01% Compulsorily Convertible Preference Shares (‘CCPS’) each convertible into equal number of equity shares of the Company of ₹ 10/- each, at the premium of ₹ 152/- each and 3,086,420 Equity Shares of ₹ 10/- each, at the premium of ₹ 152/- each to Cloverdell Investment Limited on preferential basis.

The Compulsorily Convertible Preference Shares were converted to 3,086,420 equity shares of ₹ 10/- each fully paid up at a premium of ₹ 152 per share vide Board resolution passed by circulation on March 14, 2013.

40. The Company has started recognising deferred tax asset on provision for standard assets and unamortised fees and deferred tax liability on loan origination cost from the current year. An amount of ₹ 174.74 lakhs (Previous year – ₹ NIL) (net credit) in the current year is towards the same.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

41. During the year ended March 31, 2012, Capital First Investment Advisory Limited (formerly known as Kshitij Investment Advisory Company Limited) ('KIACL'), wholly owned subsidiary of the Company, had filed a petition with the Bombay High Court for the purpose of Amalgamation (in the nature of merger) of FCH Securities & Advisors Limited and Future Capital Investment Advisors Limited with KIACL. KIACL has obtained approval from the Bombay High Court on April 13, 2012 for the scheme of Amalgamation which was filed with the Registrar of Company ('ROC') on June 02, 2012. Accordingly, the Scheme has been given effect in the books of accounts in the current year. The said scheme became effective from June 2, 2012 but operative with retrospective effect from April 1, 2011, the appointed date.
42. During the previous year, the Company had allotted 10,000,000 share warrants pursuant to the approval of Members at the Extra Ordinary General Meeting held on August 27, 2010. These share warrants were convertible into equal number of equity shares at the option of the holder within 18 months from the date of allotment. As per SEBI (ICDR) guidelines, the Company had received upfront money as advance from the allottees. Since the holders of the option did not exercise the option to convert the share warrants into equity shares, the entire share warrant application money has been transferred to Capital Reserve.
43. As per the Guidance Note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, the group has adjusted the Share Capital by ₹ 60.97 lakhs (Previous year: ₹ 30.00 lakhs) and Securities Premium by ₹ 1,457.38 lakhs (Previous year: ₹ 1,096.35 lakhs) in respect of 609,713 (Previous year: 300,000) shares held by the trust pending for transfer into the beneficiary accounts of the eligible employees.
44. During the year ended March 31, 2013, the Group has changed its policy related leave encashment. The outstanding leave balances as at March 31, 2013 will not be carried forward and leave balance up to a maximum of 36 days will be paid to the employees based on their basic salary. Going forward, all the earned leave during the financial year and remaining unutilized will be encashed at the year-end based on basic salary. Consequent to the change in policy, the profit for the year ended is lower by ₹ 8.66 lakhs.
45. During the year ended March 31, 2013, the Company had noticed fraud in respect of Gold loans involving collusion with employees of the Company who had availed loans and embezzled loans aggregating to ₹ 405.51 lakhs from the Company on the basis of fraudulent documents and gold. The Company has initiated legal proceedings for recovery of the said amount against the said customers and employees from whom gold was seized but the gold is still lying with police custody. The company has also filed an insurance claim for claiming the loss. During the current year ended March 31, 2013, the Company has written off loan amount aggregating to ₹ 405.51 lakhs which was fully provided in earlier quarters.
46. The current year accounts of Anchor Trading and Investments Private Limited are unaudited and the financial statements as certified by the Management, have been considered in these consolidated financial statements.
47. Figures for previous year have been regrouped/ rearranged wherever necessary, to conform to current year's classification.

As per our report of even date

**For S.R. BATLIBOI & CO. LLP**

ICAI Firm Registration No. 301003E

Chartered Accountants

**per Shrawan Jalan**

Partner

Membership No. 102102

Place : Mumbai

Date : May 27, 2013

For and on behalf of the Board of Directors of  
Capital First Limited

(Formerly known as Future Capital Holdings Limited)

**V. Vaidyanathan**

Chairman &  
Managing Director

**N. C. Singhal**

Director

**Pankaj Sanklecha**

Chief Financial Officer &  
Head-Corporate Centre

Place : Mumbai

Date : May 27, 2013

**Satish Gaikwad**

Company Secretary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Annexure 1

#### Transactions with Related parties

₹ in Lakhs

Relationship	Holding Company		Fellow Subsidiaries		Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Purchase of goods/services	-	220.42	14.53	26.84	-	-
Rent/ Lease rent paid	23.06	-	8.06	-	-	-
Interest received	-	-	-	147.07	-	-
Subvention Income Received	52.45	0.85	23.76	319.13	-	-
Loans Given	-	-	-	550.00	-	-
Loans Repaid	-	-	-	550.00	-	-
Directors Remuneration	-	-	-	-	386.03	317.30
<b>Closing Balances: Receivable / (Payable)</b>						
Advances Recoverable / (Payable )	-	3.42	-	75.37	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Transactions with Related parties

#### Annexure 1A

#### Disclosures of Related party transactions more than 10%

Name of the Party	₹ in Lakhs	
	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Purchase of Goods/services</b>		
Pantaloon Retail (India) Limited	-	220.42
Future E- Commerce Infrastructure Limited	14.53	5.09
Home Solutions Retail (India) Limited	-	17.56
<b>Rent / Lease Rent paid</b>		
Pantaloon Retail (India) Limited	23.06	-
Future Value Retail Limited	8.06	-
<b>Interest received</b>		
Future Value Retail Limited	-	147.07
<b>Subvention Income Received</b>		
Pantaloon Retail (India) Limited	52.45	-
Future Value Retail Limited	23.76	317.19
<b>Loans Given</b>		
Future Value Retail Limited	-	5,500.00
<b>Loans Repaid</b>		
Future Value Retail Limited	-	5,500.00
<b>Managerial Remuneration</b>		
Mr. V. Vaidyanathan	386.03	317.30
<b>Closing Balances:</b>		
<b>Advances recoverable in cash or kind/(Sundry creditors) (net)</b>		
Future Value Retail Limited	-	64.11

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

### Information on the financials of the subsidiary companies for the year ended March 31, 2013

[Prepared in compliance with the requirements of the exemption letter(s) of the Ministry of Corporate Affairs, Government of India]

Name of the Subsidiary Company	₹ in Lakhs													
	Myra Mail Management Company Limited **	March 31, 2013	Capital First Investment Advisory Company Limited) *	March 31, 2013	Future Finance Limited **	March 31, 2013	Commodities Limited (formerly known as Future Capital Securities Limited)	March 31, 2013	Capital First Finance Private Limited (formerly known as Future Capital Finance Private Limited)	March 31, 2013	Capital First Securities Limited (formerly known as Future Capital Securities Limited)	March 31, 2013	Anchor Trading & Investment Private Limited	December 31, 2012
The financial year of subsidiary ended on		March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	December 31, 2012	
Capital	-	600.59	2,832.50	17.81	3,627.50	6,735.56	7.75							
Reserves	-	2,780.40	17.81	120.45	1,659.76									
Total assets	-	3,635.94	3,954.59	3,784.32	2,500.01									
Total liabilities	-	254.95	1,104.28	36.37	832.50									
Investments (except in case of investment in subsidiaries)	-	110.71	-	-	-	-	-	-	-	-	-	-	-	-
Turnover	192.15	378.79	525.51	208.69	680.09									
Profit / (Loss) before tax	(104.65)	122.81	46.86	167.92	(145.51)									
Provision for tax	-	16.31	20.18	34.00	14.92									
Profit / (Loss) after tax	(104.65)	106.50	26.68	133.92	(160.43)									
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-

\* Refer note no. 41 \*\* Refer note no. 28

#### Notes:

1. Ministry of Corporate Affairs (MCA) has vide its letter No. 47/91/2011-CI-III dated February 8, 2011, read with General Circular No. 2/2011 dated February 8, 2011 and General Circular No. 3/2011 dated February 21, 2011, has exempted the Company from attaching to its Balance Sheet, certain information in respect of its subsidiaries specified in Section 212(1) of the Companies Act, 1956.
2. The annual accounts of the subsidiary companies are available for inspection at the Registered Office of the Company













Registered & Corporate Office

**CAPITAL FIRST LIMITED**

IndiaBulls Finance Centre, Tower - 2, 15<sup>th</sup> Floor, Senapati Bapat Marg,  
Elphinstone Road (W), Mumbai - 400 013

Tel No.: +91 (22) 4042 3400

Website: [www.capfirst.com](http://www.capfirst.com)

**FORM A**

**Format of covering letter of the annual audit report to be filed with the Stock Exchange**

1.	Name of the Company	Capital First Limited
2.	Annual financial statements for the year ended	March 31, 2013
3.	Type of Audit observation	<b>Un-qualified / Matter of Emphasis</b>
4.	Frequency of observation	NA

**For Capital First Limited**



V. Vaidyanathan  
Chairman &  
Managing Director



Pankaj Sanklecha  
Chief Financial Officer &  
Head Corporate Centre

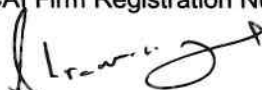


Anil Singhvi  
Chairman  
Audit Committee



**For S. R. BATLIBOI & CO. LLP**

Chartered Accountants  
ICAI Firm Registration Number: 301003E



per Shrawan Jalan  
Partner  
Membership No. 102102

**290713**



PS