

Directors Report to members

Your directors have pleasure in presenting the Third Annual report together with the audited accounts of the company for the financial year ended March 31, 2018.

Financial Highlights

(Amount in Rs. Lakhs)

Particulars	For the Financial Year ended 31 st March 2018	For the Financial Year ended 31 st March 2017
Operating income	378.42	60.05
Other Income	98.85	81.54
Less: Expenditure including depreciation	519.31	104.96
Profit / (Loss) before taxation	(42.04)	36.63
Provision for taxation	(7.39)	11.79
Profit / (Loss) after taxation	(34.65)	24.84

State of Company's Affairs and Future Outlook

Your Company commenced housing finance operations during the second half of the financial year 2016 - 17. During the financial year 2017 - 18, your Company sanctioned loans amounting to Rs. 2538 Lakhs and disbursed loans amounting to Rs. 2140 Lakhs.

Your Company continues to focus on the unbanked and underbanked so that they can be brought into the realms of financial services. Further by providing loans for their housing requirements, your Company also facilitates asset creation, which will be of great help not only to the borrower but to his / her entire family. There has also been a lot of thrust being given to the Housing sector both from government and from the regulatory bodies. Your Company also plans to take advantage of such actions to expand its reach and build a quality portfolio in the years to come.

Change in Nature of Business

There is no change in the nature of Business of your Company during the year under review.

Dividend

Your directors do not recommend any dividend for the financial year under review.

Transfer to Reserves

As per Section 29C (i) of National Housing Bank Act, 1987, the Company is required to transfer atleast 20% of its net profit every year to a reserve before any dividend is declared. Since the Company has not made profit for the year ended 31st March 2018, no amount has been transferred to Statutory Reserve.

Five-Star Housing Finance Pvt. Limited

Corporate Office : New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai - 600 010.
 Phone : 4610 6200, e-mail : info@fivestargroup.in, Website: www.fivestargroup.in
 CIN No.: U74900TN2015PTC102366.



Changes in Share Capital

The issued, subscribed and paid up share capital as on 31st March 2018 stands at Rs. 15,00,00,000 comprising of 1,50,00,000 equity shares of Rs 10/- each. The Company is a wholly owned subsidiary of Five-Star Business Finance Limited which holds the entire shares in the company. There was no change in share capital during the year under review.

Disclosure regarding issue of Employee Stock Options

Your company has not formulated any employees stock option scheme.

Deposits

Your Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the financial year.

Extract of Annual Return

As per Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in Form MGT 9 is enclosed and form part of this report as *Annexure A*.

Board Meetings

During the financial year ended 31st March 2018, Six (6) Board Meetings were held on 26th April 2017, 23rd May 2017, 23rd August 2017, 14th November 2017, 28th February 2018 and 28th March 2018 respectively.

Particulars of the Directors' attendance to the Board Meetings are given below:

Name	Nature of Directorship	Attendance
Mr. D Lakshmipathy	Chairman & Managing Director	6
Mr. B Haribabu	Independent Director	6
Mr. A Ramanathan	Independent Director	6
Mr. R Anand	Independent Director	6

Committees of the Board

Currently, the Board has Three (3) Committees: Audit Committee, Nomination & Remuneration Committee and Business & Resource Committee.

a) Audit Committee:

The Audit Committee comprises of Mr A Ramanathan, Mr B Haribabu and Mr D Lakshmipathy. All the recommendations of the Committee have been adopted by the Board.

b) Nomination & Remuneration Committee:

The Nomination & Remuneration Committee comprises of Mr A Ramanathan, Mr B Haribabu and Mr D Lakshmipathy.

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c) Business & Resource Committee:

The Business & Resource Committee comprises of Mr D Lakshmiopathy, Mr A Ramanathan, and Mr B Haribabu.

In addition to the above, the following internal committee have been formed to oversee the operations of the Company

a) Asset Liability and Risk Management Committee:

The Asset Liability and Risk Management Committee comprises of Mr D Lakshmiopathy, Mr K Rangarajan and Mr G Srikanth.

Particulars of Loans, Guarantees or Investments under Section 186 of Companies Act, 2013

During the year under review, the Company had not granted any loans or guarantees and investments covered under Section 186 of the Companies Act, 2013.

Related Party Transactions

The Company has framed a Related Party Transaction policy for the Company as per the HFC Corporate Governance (NHB) Directions, 2016. The same is enclosed as *Annexure B* to this report. During the financial year, the Company has entered into contract / arrangement with Related Parties as per Section 188 of the Companies Act, 2013 and the Rules framed thereunder details of which are given in *Annexure C* to this report.

Material Changes Affecting the Financial Position of the Company.

There are no material changes and commitments between 31st March 2018 and the date of this report having an adverse bearing on the financial position of the Company.

Information as per Section 134 (3) (m) of the Companies Act, 2013

Your Company has no activity relating to consumption of energy or technology absorption. The Company does not have any Foreign currency expenditure and foreign Currency earnings during the year under review.

Risk Management Framework

Your Company, being in the business of housing finance, has to manage various risks. The management reviews and monitors these risks at periodic intervals.

The following risks are identified:

- Credit risk
- Liquidity risk
- Interest rate risk
- Operational risk

The Company has introduced and adopted appropriate risk-management measures, policies, systems and processes that seek to strike an appropriate balance between the aforesaid risks and returns.

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Directors

As on date of this report, your company's Board of Directors comprises of the following members, namely:

1. Mr. D Lakshmipathy, Chairman & Managing Director (DIN: 01723269)
2. Mr. B Haribabu, Independent Director (DIN: 01509249)
3. Mr. A Ramanathan, Independent Director (DIN: 02645247)
4. Mr. R Anand, Independent Director (DIN: 00243485)

Mr. D Lakshmipathy, Chairman & Managing Director, retires by rotation at the ensuing 3rd Annual General Meeting and being eligible has offered himself for re-appointment.

Key Managerial Personnel

Pursuant to the provisions of section 203 of the Companies Act, 2013 read with the rules made there under, the following employees are the whole-time key managerial personnel of the company:

- a. Mr. D Lakshmipathy, Chairman and Managing Director
- b. Mr. G Srikanth, Chief Financial Officer
- c. Ms. Shalini Baskaran, Company Secretary

Details of Significant & Material Orders passed by the Regulators or court or tribunal

During the financial year, there are no significant and material orders passed by the regulators or Courts or Tribunals impacting the going concern status and your company's operations in future.

Separate Meeting of Independent Directors

As required under Clause VII of Schedule IV of the Companies Act, 2013 on the Code for Independent Directors, a separate Meeting of all the Independent Directors on the Company's Board, viz. Mr. B Haribabu, Mr. A Ramanathan and Mr. R Anand, Independent Directors was held on 23rd May 2017, without the attendance of the Non-Independent Directors and the Members of the Management.

At this Meeting, the Independent Directors-

- reviewed the performance of the Non-Independent Directors and the Board as a whole;
- reviewed the performance of the Chairman of the Company, taking into account the views of the Managing Director and the (Non-Independent) Non-Executive Directors; and
- assessed the quality, quantity and timeliness of the flow of information between the Company's Management and the Board that was necessary for the Board to effectively and reasonably perform its duties. Besides, they discussed other matters of interest concerning the Company.

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Declaration from Independent Directors

The Company has received declarations from all the Independent Directors to the effect that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

Internal Financial Controls

Your Company has an internal control system, commensurate with the size, scale and complexity of its operations. Your company has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. The Revenue from services is recognized in accordance with the specific terms of contract on performance.

Auditors

Statutory Auditors' Report

The Statutory Auditors' Report on the Accounts for the year ended 31st March 2018 does not contain any qualification, reservation or adverse observation. The Notes on the Financial Statements referred to in the Auditors' Report are self - explanatory.

Statutory Auditors

The Board at its meeting held on 22nd May 2018 had discussed the proposal to change the statutory auditors keeping certain growth plans in mind wherein a more reputed firm would be able to bring in larger benefits to the Company. Accordingly, based on the suggestions of the Audit Committee, KPMG, i.e. B S R & Co LLP have been appointed as the Statutory Auditors from the Financial year 2018 - 19.

Policy on Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy named "Human Resource Management Policy" in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Companies Act, 2013. An Internal Complaints Committee has also been constituted. The said policy is uploaded in the website of the Company. During the year under review, no complaint of harassment was received.

Whistle Blower Policy

Your Company as part of the "Vigil Mechanism" has in place a "Whistle Blower Policy" to deal with instances of fraud and misappropriations, if any. This policy has been placed in the website of the Company. During the year under review no whistle blower complaint was received.



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Directors' Responsibility Statement

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board of Directors, confirm that:

- a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had 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;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. the directors had prepared the annual accounts on a going concern basis; and
- e. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- f. The directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

Acknowledgement

Your Directors wish to thank the customers, bankers, shareholders, service agencies and other stakeholders for their support. The directors also thank the employees for their contribution during the financial year under review.

For and on behalf of the Board of Directors




D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Place: Chennai
Date: 22/05/2018

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FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended on 31.03.2018

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U74900TN2015PTC102366
2	Registration Date	28-09-2015
3	Name of the Company	Five-Star Housing Finance Private Limited
4	Category/Sub-category of the Company	Company Limited by Shares
5	Address of the Registered office & contact details	No. 39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai - 600 010
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Nil

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY			
(All the business activities contributing 10% or more of the total turnover of the company shall be stated)			
S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Housing Finance	65922	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES					
SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	M/s. Five-Star Business Finance Limited (formerly known as Five Star Business Credits Limited)	U65991TN1984PLC010844	Holding	99.99%	2(87)

IV. SHARE HOLDING PATTERN									
(Equity share capital breakup as percentage of total equity)									
(i) Category-wise Share Holding									
Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	100	100	0.01%	-	100	100	0.01%	0.00%
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	14,999,900	14,999,900	99.99%	-	14,999,900	14,999,900	99.99%	0.00%
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (1)	-	15,000,000	15,000,000	100.00%	-	15,000,000	15,000,000	100.00%	0.00%
(2) Foreign									
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
TOTAL (A)	-	15,000,000	15,000,000	100.00%	-	15,000,000	15,000,000	100.00%	0.00%

B. Public									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance	-	-	-	-	-	-	-	-	-
g) FII's	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-

2. Non-Institutions									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
c) Others (specify)									
Non Resident	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies - D	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public (B)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs									
Grand Total	-	15,000,000	15,000,000	100.00%	-	15,000,000	15,000,000	100.00%	0.00%

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	M/s Five-Star Business Finance Limited (H	14,999,900	99.99%	-	14,999,900	99.99%	-	0.00%
2	D Lakshmipathy*	100	0.01%	-	100	0.01%	-	0.00%

* Nominee of Five-Star Business Finance Limited

(iii) Change in Promoters' Shareholding (please specify, if there is no change) - No change

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total	No. of shares	% of total
	At the beginning of the year	NO CHANGE			
	Changes during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders: NIL*(Other than Directors, Promoters and Holders of GDRs and ADRs):*

SN	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total	No. of shares	% of total
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

(v) Shareholding of Directors and Key Managerial Personnel

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares	No. of shares	% of total shares
1	D Lakshmiathy*	100	0.01%	100	0.01%

* Nominee of Five-Star Business Finance Limited

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. Rs./Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	300.00	-	-	300.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.09	-	-	0.09
Total (i+ii+iii)	300.09	-	-	300.09
Change in Indebtedness during the financial year				
* Addition	2,700.00	-	-	2,700.00
* Reduction	(1,200.09)	-	-	(1,200.09)
Net Change	1,499.91	-	-	1,499.91
Indebtedness at the end of the financial year				
i) Principal Amount	1,800.00	-	-	1,800.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	1,800.00	-	-	1,800.00

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NIL

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
	Name		(Rs/Lac)
	Designation		
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-
2	Stock Option		-
3	Sweat Equity		-
4	Commission		-
	- as % of profit		-
	- others, specify		-
5	Others, please specify		-
	Total (A)	-	-
	Ceiling as per the Act	-	-

B. Remuneration to other Directors: NIL

SN.	Particulars of Remuneration (Name of Directors)					Total Amount
						(Rs/Lac)
1	Independent Directors					
	Fee for attending board committee					-
	Commission					-
	Others, please specify					-
	Total (1)					-
2	Other Non-Executive Directors					-
	Fee for attending board committee					-
	Commission					-
	Others, please specify					-
	Total (2)	-	-	-	-	-
	Total (B)=(1+2)					-
	Total Managerial Remuneration					-
	Overall Ceiling as per the Act					-

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: NIL

SN.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
	Name				(Rs/Lac)
	Designation				
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				-
	(b) Value of perquisites u/s 17(2) Income-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option				-
3	Sweat Equity				-
4	Commission				-
	- as % of profit				-
	- others, specify				-
5	Others, please specify				-
	Total	-	-	-	0.00

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL					
Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY - NA					
Penalty					
Punishment					
Compounding					
B. DIRECTORS - NA					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT - NA					
Penalty					
Punishment					
Compounding					

For Five-Star Housing Finance Private Limited


 Mr D Lakshmi pathy
 Chairman & Managing Director
 DIN: 01723269

Place: Chennai
Date: 22/05/2018

RELATED PARTY POLICY / ARMS LENGTH POLICY

Five-Star Housing Finance Private Limited is a private limited company, which is constituted as a wholly owned subsidiary of Five-Star Business Finance Limited. The Company is registered as a Housing Finance Company with NHB. Being a subsidiary, the company shall utilize the infrastructure of the parent in the initial years before it sets up completely independent infrastructure. Being a subsidiary coupled with such transactions brings the aspect of Related Party Transactions, which this policy seeks to address.

This policy seeks to address 2 points.

1. Identification and disclosure of Related Party Transactions (RPT).
2. Lay down transfer pricing norms between the parent and the subsidiary.

WHO IS A RELATED PARTY

Companies Act, 2013 defines Related Parties as follows.

- A director or his relative
- KMP or his relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager is a member or director
- A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except if advice/ directions/ instructions are given in the professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act, except if advice/ directions/ instructions are given in the professional capacity
- Any company which is:
 - A holding, subsidiary or an associate company of such company, or
 - A subsidiary of a holding company to which it is also a subsidiary
- Such other persons as may be prescribed

As can be clearly seen from the above, holding or subsidiary companies fall into the category of Related Party and hence transactions between the 2 entities will have to be disclosed in the books of accounts as RPT.

RELATED PARTY TRANSACTIONS

The following transactions would be disclosed as RPT:

1. Investment by the Holding company into the subsidiary
2. Other transactions between the holding company and subsidiary company

In the list above, the investment by the holding company into the subsidiary needs no further elucidation. However, it is essential to define the other transactions that could be entered into between the parent and the subsidiary.

OTHER TRANSACTIONS

As the subsidiary seeks to utilize the infrastructure of the parent in the initial years, it becomes necessary for the parent to transfer costs appropriately to ensure that such transactions are done on an arm's length basis.

All the costs that are incurred by the subsidiary directly would be booked in the books of the subsidiary. However, the costs incurred by the parent where a portion of the benefits flow to the subsidiary would need to be shared between the 2 entities. Such costs are detailed below.

- a. **Personnel costs of supervisory layers at the branches** – The subsidiary would have dedicated field officers who would be managing the business and collections. However, the supervisory layers like the Branch Managers, Area Managers, Regional Managers, State Heads, Cashiers, etc would not be hired in the initial years. Such personnel who are part of the holding company rolls would be used to provide supervision to the subsidiary as well. Hence their costs would have to be proportionately passed on to the subsidiary.
- b. **Head Office personnel costs** – There would also be personnel costs of the common functions done out of the Head Office like Operations, Finance & Accounts, HR, Technology, etc along with the costs of the senior management personnel like the MD, COO, CFO which will be proportionately passed on to the subsidiary.
- c. **Operational expenses for shared infrastructure** – In the initial years, the subsidiary would also share the infrastructure of the parent. Hence operational expenses pertaining to such infrastructure viz. rent, electricity, repairs & maintenance, communication expenses, software expenses, etc would be shared between the parent and the subsidiary.

The ratio for allocation of costs shall be based on the projected AUM between the 2 entities. This ratio shall be recalculated at the beginning of every financial year and presented to the Audit Committee and Board for their approval so that the sharing ratio can be finalized. Changes to the sharing ratio during the year shall not be permitted without the approval of the Audit Committee and Board.

The Related Party Transactions shall be reviewed by the Audit Committee and presented to Board for their approval on a quarterly basis.

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis – NA

- a. Name of the related party and nature of relationship:
- b. Nature of contracts/arrangements/transactions:
- c. Duration of the contracts/arrangements/transactions:
- d. Salient terms of the contracts or arrangements or transactions including the value, if any:
 - i. To use the premises only as registered office and not to put it to any other use.
 - ii. To carry out the internal alterations, partitions and other alterations which may be required for using the premises as an office, at the expenses of the company.
 - iii. Not to sub-let the premises to anyone.
- e. Justification for entering into such contracts/ arrangements/ transactions:
- f. Date of approval by the Board:
- g. Amount paid as advance, if any:
- h. Date on which the special resolutions was passed in general meeting as required under the first proviso to section 188:

2. Details of material contracts or arrangement or transactions at arm's length basis

- a. Name of the related party and nature of relationship: Five-Star Business Finance Limited, Holding company.
- b. Nature of contracts/ arrangements/ transactions: Sharing of premises, resources, etc.
- c. Duration of the contracts/ arrangements/ transactions: Ongoing
- d. Salient terms of the contracts or arrangements or transactions including the value, if any: Sharing of premises, infrastructure, personnel and other resources as per the related party transaction policy.
- e. Justification for entering into such contracts/ arrangements/ transactions: As per the related party transaction policy.
- f. Date of approval by the Board: 4th November 2016
- g. Amount paid as advance, if any: Not applicable
- h. Date on which the special resolutions was passed in general meeting as required under the first proviso to section 188: Not applicable

Chennai
22/05/2018


Mr D Lakshmi pathy
Chairman & Managing Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

1. Report on the Financial Statements

We have audited the accompanying financial statements of Five-Star Housing Finance Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

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

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's



preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its loss and its cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act, we give in the "Annexure - A" a statement on the matters specified in paragraph 3 and 4 of the Order.
- (ii) As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) The reporting requirement in respect of Internal financial controls with reference to financial statements of the company are not applicable, as the threshold limit for turnover and borrowings has not exceeded as specified in section -143(3) of the Companies Act, 2013..

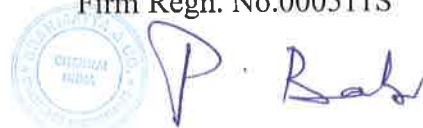


- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company has disclosed the effect of the pending legal proceedings against it in its financial statements as mentioned in Note 29.5 of the Notes to the Accounts;
 - ii. based on the current assessment of the long term contracts, in the ordinary course of business, the company has made adequate provision for losses, where required, as explained in Note 29.6 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.
 - iii. there was no amount required to be transferred to the Investor Education and Protection Fund by the Company.

Place: Chennai

Date: 22nd May, 2018

For BRAHMAYYA & Co.
Chartered Accountants
Firm Regn. No.000511S



P. Babu
Partner
Membership No. 203358

FIVE-STAR HOUSING FINANCE PRIVATE LIMITED

“ANNEXURE A” TO THE AUDITORS’ REPORT REFERRED TO IN PARAGRAPH 5 OF OUR REPORT OF EVEN DATE

1. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

b) Fixed assets have been physically verified by the Management during the year, in accordance with an annual plan of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of the fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

c) The Company does not own any immovable properties .
2. In our opinion and according to the information and explanations given to us, the Company has not granted any loans secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, clauses (iii)(a), (b) and (c) of paragraph 3 of the Order are not applicable to the Company for the year.
3. In our opinion and according to the information and explanations given to us, the company has not granted any loans, made any investments or provided any guarantee or security as envisaged under Section 185 and 186 of the Companies Act, 2013 respectively.
4. The company has not accepted deposits from public.
5. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act.
6. i) In our opinion and according to the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, Service tax, Goods and Service tax, Cess and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March 2018 for a period of more than six months from the date they became payable.

ii) According to the records of the Company and the information and explanations given to us, there are no dues of Service tax, Goods and Service Tax, Income tax and other material statutory dues which have not been deposited on account of any dispute.
7. Based on our examination of the records and the information and explanations given to us, the Company has not defaulted in the repayment of dues to the Financial Institutions. The company does not have any borrowings from Banks, Government and by way placement of debentures.



8. Based on our examination of the records and the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
9. To the best of our knowledge and belief and according to the information and explanations given to us, during the year, no fraud by the Company and no fraud on the Company by its officers or employees were noticed or reported during the year.
10. The Company has not paid / provided for managerial remuneration during the year.
11. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
12. In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them.
13. The company has obtained Certificate of Registration under Section 29A of the National Housing Bank Act, 1987 as required.
14. In our opinion and according to the information and explanations given to us, the nature of the Company's business/ activities during the year has been such that clause (ii) , clause (xii) and clause (xiv) of paragraph 3 of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company for the year.

Place: Chennai

Date: 22nd May, 2018

For BRAHMAYYA & Co.
Chartered Accountants
Firm Regn. No.000511S



P. Babu
Partner
Membership No. 203358

Five-Star Housing Finance Private Limited
Balance Sheet as at 31st March 2018

Rs in Lakhs

Particulars	Note No	As at 31st Mar 2018	As at 31st Mar 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	1,500.00	1,500.00
Reserves and Surplus	4	20.78	55.43
		1,520.78	1,555.43
Non-current liabilities			
Long Term Borrowings	5	300.00	300.00
Long Term Provisions	6	19.23	4.77
		319.23	304.77
Current liabilities			
Trade Payables			
i) Dues to Micro and Small Enterprises		-	-
ii) Other Trade payables	7	10.50	2.55
Other Current Liabilities	8	1,535.89	39.21
Short Term Provisions	9	2.90	1.39
		1,549.29	43.15
TOTAL		3,389.30	1,903.35
ASSETS			
Non- current assets			
Fixed Assets	10		
(i) Tangible assets		0.07	0.19
(ii) Intangible assets		-	-
Deferred Tax Assets (Net)	11	9.07	1.69
Long Term Receivables Under Financing Activities	12	2,631.04	913.79
Long Term Loans and Advances	13	0.04	0.01
Other Non Current Assets	14	-	12.28
		2,640.22	927.95
Current assets			
Current Investments	15	-	434.31
Cash and Bank Balances	16	494.83	427.10
Short Term Receivables Under Financing Activities	17	201.02	95.62
Short Term Loans and Advances	18	6.87	0.20
Other Current Assets	19	46.36	18.17
		749.08	975.40
TOTAL		3,389.30	1,903.35
Significant Accounting Policies and Notes to the Accounts	2 to 29		

Per our report of even date attached
For **Brahmayya & Co.**
Chartered Accountants

Firm Registration Number 000511S

P. Babu

Partner

Membership No. 203358

Place : Chennai

Date: 22nd May 2018

For and on behalf of **Board of Directors**

D. Lakshmipathy
Chairman & Managing Director

G. Srikanth
Chief Financial Officer

B. Hari Babu
Director

B. Shalini
Company Secretary

Five-Star Housing Finance Private Limited
Statement of Profit and Loss for the year ended March 31, 2018

Rs in Lakhs

Particulars	Note No	2017-18	2016-17
REVENUE			
Revenue from Operations	20	378.42	60.05
Other Income	21	98.85	81.54
Total revenue		477.27	141.59
EXPENSES			
Finance Costs	22	222.80	10.09
Employee Benefits	23	217.37	66.69
Administrative and Other Expenses	24	52.97	19.98
Provisions, Loan Losses and Other Charges	25	13.77	4.07
Depreciation	10	0.12	0.04
Preliminary Expenses Written Off		12.28	4.09
Total Expenses		519.31	104.96
Profit/(Loss) Before Tax		(42.04)	36.63
Tax expenses			
Current Tax		-	13.48
Deferred Tax		(7.39)	(1.69)
		(7.39)	11.79
Profit/(Loss) for the Year		(34.65)	24.84
Earnings per equity share of Rs.10 each	26.4		
- Basic (Rs.)		(0.23)	0.17
- Diluted (Rs.)		(0.23)	0.17
Significant Accounting Policies and Notes to the Accounts	2 to 29		

Per our report of even date attached
For **Brahmayya & Co.**

Chartered Accountants

Firm Registration Number 000511S

P. Babu

Partner

Membership No. 203358

Place : Chennai

Date: 22nd May 2018

For and on behalf of **Board of Directors**

D. Lakshmi pathy

Chairman & Managing Director

G. Srikanth

Chief Financial Officer

B. Hari Babu

Director

B. Shalini

Company Secretary

Five-Star Housing Finance Private Limited
Cash Flow Statement for the year ended March 31, 2018

Rs. in Lakhs

	2017-18		2016-17	
A. Cash flow from operating activities				
Profit/(Loss) for the Year	(34.65)		24.84	
Provision for Taxation	(7.39)		11.79	
Profit/(Loss) Before Tax		(42.04)		36.63
Adjustments for:				
Finance costs	222.80		10.09	
Depreciation	0.12		0.04	
Profit on sale of current investments (Net)	(95.09)		(14.31)	
Interest Income on Deposits with Banks / Others	(3.75)		(66.79)	
Preliminary Expenses written off	12.28	136.36	4.09	(66.88)
Operating Profit Before Changes in Working Capital		94.32		(30.25)
Changes in Working Capital:				
<i>Adjustments for (increase) / decrease in operating assets:</i>				
Long term receivables under financing activity	(1717.25)		(913.79)	
Long term loans and advances	(0.03)		(0.01)	
Short term receivables under financing activity	(105.40)		(95.62)	
Short term loans and advances	(6.68)		(0.20)	
Other current assets	(28.18)		26.16	
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Long term provisions	14.46		4.77	
Trade payables	7.95		2.44	
Short term provisions	1.51		1.39	
Other Current liabilities	(3.23)	(1,836.85)	39.13	(935.73)
Cash used in operations		(1742.53)		(965.98)
Financial Expences		(222.89)		(10.00)
Direct Taxes Paid		-		(22.91)
Net Cash used in operating activities (A)		(1965.42)		(998.89)
B. Cash flow from Investing activities				
Purchase of Fixed Assets	-		(0.22)	
Profit on sale of current investments	95.09		14.31	
(Purchase)/sale of current investments (Net)	434.31		(434.31)	
Interest Income on Deposits with Banks / Others	3.75		66.79	
Net Cash from Investing Activities (B)		533.15		(353.43)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long term borrowings	1,500.00		300.00	
Net Cash from Financing Activities (C)		1,500.00		300.00
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)		67.73		(1052.32)
Cash and Cash Equivalents at the Beginning of the Year		427.10		1,479.42
Cash and Cash Equivalents at the End of the Year		494.83		427.10
Reconciliation of Cash and Cash Equivalents with the Balance Sheet				
Cash and Cash equivalents (Refer Note 16)		494.83		427.10

Per our report of even date attached

For **Brahmayya & Co.**

Chartered Accountants

Firm Registration Number 000511S

P. Babu

Partner

Membership No. 203358

Place : Chennai

Date: 22nd May 2018

For and on behalf of **Board of Directors**

D. Lakshmi pathy
Chairman & Managing Director

G. Srikanth
Chief Financial Officer

B. Hari Babu
Director

B. Shalini
Company Secretary



1 Corporate information

Five-Star Housing Finance Private Limited ('the Company') was incorporated on 28th September 2015 with the primary objective of carrying on the business of providing long term housing finance to meet the housing needs of the low and middle income segment in the country.

The Company received the certificate of registration from the National Housing Bank (NHB) on 3rd May 2016 to commence the business of Housing Finance without accepting public deposits.

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, Accounting Standards (AS) notified by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013 read with Paragraph 7 of the Companies (Accounts) Rules 2014 (as amended). Besides, the company follows the Directions prescribed by the National Housing Bank (NHB) for Housing Finance Companies.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing, and investing activities of the Company are segregated based on the available information.

2.4 Depreciation / Amortisation

Depreciation on Fixed Assets is provided under Written down Value method in accordance with useful life specified in the schedule II of the Companies Act, 2013. Depreciation for additions and deletions are provided on a pro-rata basis.

2.5 Revenue recognition

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

a. Interest Income is recognized under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. Income on Non-Performing assets is recognized only when realized and any interest accrued until the asset became a Non performing Asset and remaining overdue is derecognized by reversing the interest income.

b. Processing Fees, Penal Interest, Cheque bounce charges and other operating income are recognized as income upon certainty of receipt.

c. Profit / loss on sale of investments is recognised at the time of sale or redemption

d. Dividend income is accounted for when the right to receive it is established.

e. All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.



2.6 Classification & Provisioning of Loan portfolio

Receivable from financing activities are classified as standard, sub - standard and doubtful assets and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning norms as prescribed under the Housing Finance Companies (NHB) Directions, 2010. A general provision of 0.50% of the total outstanding amount of Standard Assets is provided as against 0.25% as per NHB guidelines.

Standard Assets : No overdue or overdue for less than 3 months

Non performing assets:

- (a) Sub standard assets: Overdue for period of 3 month and more but less than 15 months
- (b) Doubtful assets: Overdue for period of 15 months and more but less than 51 months. Overdue for period of 51 months and more.
- (c) Loss assets: Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or NHB.

Overdue refers to interest and/ or principal and /or instalment remaining unpaid from the day it is receivable.

Standard assets	- 0.50%
Non performing asset	
(a) Substandard assets	- 25%
(b) Doubtful assets	- 50% [Overdue for a period of 15 months and more but less than 51 months]
	- 100% [Overdue for a period more than 51 months and more]
(c) Loss assets	- 100%

2.7 Property, plant and equipment

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

2.8 Foreign currency transactions and translations -

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

2.9 Investments

Investments are classified as Current and Non Current based on their nature and intended holding period. Current Investments are valued at lower of cost or net realizable value. Long term Investments are valued at cost, less any other than temporary diminution in value, determined separately for each individual investment.

2.10 Employee benefits

Employee benefits include provident fund, gratuity and other employee benefits.

Defined contribution plans

Contributions to the Employees Provident Fund Scheme, Employee Pension Scheme and Employee State Insurance Scheme are charged as expense based on the amount of contribution made and when services are rendered by the employees.

Defined benefit plans

(i) For defined benefit plans in the form of gratuity which is non funded, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.



(ii) The company recognises long term liability in respect of leave encashment based on the actuarial valuation obtained as at the Balance sheet date

Short term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed within one year from the Balance Sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees

2.11 Earnings per share

Basic earnings per share is computed by dividing the profit / (Loss) after tax (including the post tax effect of extraordinary item, if any) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year, except when the results would be anti-dilutive.

The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares).

2.12 Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences, being the difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

2.13 Impairment of assets

The carrying amounts of assets/cash generating units are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset exceeds the recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

2.14 Provisions and contingencies

Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made.

Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

2.15 Operating Cycle

Assets and liabilities are classified as current and non-current based on the operating cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realized and settled, within a period of 12 months from the date of Balance sheet have been classified as current and other assets and liabilities are classified as Non-current.



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 3 Share Capital

Particulars	As at 31st Mar 2018		As at 31st Mar 2017	
	Number of Shares	Rs. in Lakhs	Number of Shares	Rs. in Lakhs
(a) Authorised				
Equity Shares of Rs.10 each	250,00,000	2,500	250,00,000	2,500
(b) Issued, Subscribed and fully paid up				
Equity Shares of Rs.10 each	150,00,000	1,500	150,00,000	1,500

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year

Particulars	Year ended 31st March 2018		Year ended 31st March 2017	
	Number of Shares	Rs. in Lakhs	Number of Shares	Rs. in Lakhs
Equity Shares				
Opening Balance	150,00,000	1,500	150,00,000	1,500
Add - Shares Issued During the Year	-	-	-	-
Closing Balance	150,00,000	1,500	150,00,000	1,500

(ii) Terms/rights attached to Equity Shares:

The Company has only one class of equity shares having a par value of Rs.10 each. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees. Dividends proposed by the Board of Directors, if any is subject to the approval of the shareholders at the Annual General Meeting except in case of interim dividend. Repayment of capital will be in proportion to the number of equity shares held.

(iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31st Mar 2018		As at 31st Mar 2017	
	Number of Shares held	% of holding in that class of shares	Number of Shares held	% of holding in that class of shares
Equity Shares				
Five-Star Business Finance Limited	149,99,900	100.00	149,99,900	100.00
D. Lakshmipathy *	100	0.00	100	0.00

* Nominee of Five-Star Business Finance Limited



Five-Star Housing Finance Private Limited**Notes forming part of the financial statements for the year ended March 31, 2018****Note 4 Reserves and Surplus**

Particulars	As at	As at
	31st Mar 2018	31st Mar 2017
	Rs. in Lakhs	Rs. in Lakhs
(a) Statutory Reserve (Note 4.1)		
Balance at the beginning of the year	11.60	6.60
Add: Amount transferred from surplus in the statement of profit and loss	-	5.00
Closing Balance	11.60	11.60
(b) General Reserve		
Balance at the beginning of the year	6.60	3.60
Add: Amount transferred from surplus in the statement of profit and loss	-	3.00
Closing Balance	6.60	6.60
(c) Surplus in the statement of profit and loss		
Balance at the beginning of the year	37.23	20.39
Less: Transition Reserve on Depreciation under Companies Act, 2013	-	-
	37.23	20.39
Add/(Less): Profit/(Loss) for the year	(34.65)	24.84
Less: Appropriations		
Transfer to Statutory Reserve	-	5.00
Transfer to General Reserve	-	3.00
Net Surplus in the statement of Profit and Loss	2.58	37.23
Total Reserves and surplus	20.78	55.43

4.1 - As per Section 29C of the National Housing Bank Act, 1987, the company is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. Since the Company has not made profit for the year ended 31 March 2018, no amount has been transferred to Statutory Reserve.



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 5 : Long Term Borrowings

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Secured:		
Term Loans:		
- From Banks	-	-
- From Other Parties	300.00	300.00
	300.00	300.00

5.1 Details of Loans from Other Parties

Name of the Lender	Tenor	Repayment Terms	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
IFMR Capital Finance Private Limited	12 Months	Principal Bullet, Interest Monthly	700.00	300.00
AK Capital (note b)	15 Months	Principal Quarterly Interest Monthly	600.00	-
AK Capital (note b)	30 Months	Principal Quarterly Interest Monthly	500.00	-
			1,800.00	300.00

Note

(a) Loans are secured by hypothecation of specific Receivables under Financing Activity.

(b) Guaranteed by Mr.D. Lakshmi pathy, Chairman & Managing Director.

Note 6 : Long Term Provisions

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Provision for Employee Benefits		
Provision for Gratuity	2.95	1.12
Provision for compensated absences	0.15	-
Other Provisions		
Provision for Standard Assets	13.09	3.66
Provision for Non-Performing Assets	3.04	-
	19.23	4.77

Note 7 : Trade Payables

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Trade Payables		
- due to micro and small enterprises	-	-
- due to others	10.50	2.55
	10.50	2.55



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 8: Other Current Liabilities

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Current Maturities of Long Term Borrowings (Refer Note 5.1) - from Other Parties	1,500.00	-
Interest accrued but not due on borrowings	-	0.09
Insurance Premium	3.51	9.33
Statutory due Payable	12.48	5.65
Dues payable to Five-Star Business Finance Limited	19.90	2.38
Others	-	21.75
	1,535.89	39.21

Note 9: Short Term Provisions

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Provision for Employee Benefits		
Provision for Gratuity	0.03	0.05
Provision for Compensated Absences	1.16	0.92
Other Provisions		
Provision for Standard Assets	0.99	0.41
Provision for Non-Performing Assets	0.72	-
	2.90	1.39



Five-Star Housing Finance Private Limited
Notes forming part of the financial statements for the year ended March 31, 2018

Note 10: Fixed Assets

Rs in lakhs

	Gross Block						Depreciation			Net Block	
	Balance as at 01-04-2017	Addition	Deletion	Balance as at 31-03-2018	Balance as at 01-04-2017	For the Year	Deduction	Balance as at 31-03-2018	Balance as at 31-03-2018	Balance as at 31-03-2017	
	I) Tangible Assets										
Computers	0.22	-	-	0.22	0.04	0.12	-	0.15	0.07	0.19	
Total	0.22	-	-	0.22	0.04	0.12	-	0.15	0.07	0.19	
Previous Year	-	0.22	-	0.22	-	0.04	-	0.04	0.19	-	



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 11 : Deferred Tax Asset (net)

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Deferred Tax Asst		
a) Depreciation	0.01	-
b) Employee Benefits	1.19	0.58
c) Preliminary expenses	2.28	-
d) Provision for Non Performing Assets	1.04	-
e) Provision for Standard Assts	3.92	1.12
f) Income derecognised on Non Performing Assets	0.63	-
	9.07	1.70
Less: Deferred Tax Liability		
a) Depreciation	-	(0.01)
Net Deferred Tax Asset	9.07	1.69

Note 12 : Long Term Receivables Under Financing Activities

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Considered Good:		
A. Secured		
Loans	2,631.04	913.79
	2,631.04	913.79
Note:		
(a) of the above:		
Considered Good	2,618.90	913.79
Considered Doubtful (Sub-Standard and Doubtful Receivables under financing activities as per Company's Provisioning Norms)	12.14	-
Refer Note 29.2 on Provision for Sub-Standard and Doubtful Receivables under financing activities		
(b) Secured exposures are secured wholly by mortgage of property.		

Note 13 : Long Term Loans and Advances

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Unsecured, Considered Good		
Others	0.04	0.01
	0.04	0.01

Note 14 : Other Non Current Assets

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Unamortised Preliminary Expenses	-	12.28
	-	12.28



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 15 : Current Investments (Valued at Lower of Cost or Net Realisable Value)

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Investments in Mutual Funds :		
SBI Cash Plus - Growth	-	77.07
BSL Cash Plus - Growth	-	357.24
Total	-	434.31
Aggregate cost of investments		
- At Cost	-	434.31
- At Market Value (Net Asset Value)	-	443.41

Note 16 : Cash and Bank Balances

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
1. Cash and Cash Equivalents:		
(a) Cash on Hand	1.18	0.70
(b) Balances with Banks		
(i) In Current accounts	93.65	426.40
(ii) In Deposit accounts with less than 3 months maturity	400.00	-
	494.83	427.10

Note 17 : Short Term Receivables Under Financing Activities

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
A. Secured		
Loans	201.02	95.62
	201.02	95.62
Note:		
(a) of the above:		
Considered Good	198.16	95.62
Considered Doubtful (Sub-Standard and Doubtful Receivables under financing activities as per Company's Provisioning Norms)	2.86	-
Refer Note 29.2 on Provision for Sub-Standard and Doubtful Receivables under financing activities		
(b) Secured exposures are secured wholly by mortgage of property.		



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 18 : Short Term Loans and Advances

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
<u>Unsecured, Considered Good</u>		
Staff Advances	0.05	0.20
Balances with Government authorities	6.82	-
	6.87	0.20

Note 19 : Other Current Assets

Particulars	As at 31st Mar 2018 Rs. in Lakhs	As at 31st Mar 2017 Rs. in Lakhs
Interest Accrued on Loan receivables	23.44	7.93
Interest Accrued on Deposits with Banks and NBFCs	0.33	-
Advance Income tax (net)	20.65	8.29
Others	1.94	1.95
	46.36	18.17

* Advance income tax is net off provision for income tax amounting to Rs. 13.48 Lakhs (previous year: Rs. 13.48 Lakhs)



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 20 : Revenue from Operations

Particulars	2017-18 Rs. in Lakhs	2016-17 Rs. in Lakhs
Interest Income	326.25	24.53
Processing Fees	44.76	24.44
Penal Interest*	0.00	-
Other operating income	7.41	11.07
	378.42	60.05

* Amount less than Rs. 1,000

Note 21: Other Income

Particulars	2017-18 Rs. in Lakhs	2016-17 Rs. in Lakhs
Dividend		
Interest on Bank Deposits	3.75	66.79
Profit on Redemption of Mutual Fund Units	95.09	14.31
Other Non-Operating Income	0.01	0.44
	98.85	81.54

Note 22 : Finance Costs

Particulars	2017-18 Rs. in Lakhs	2016-17 Rs. in Lakhs
Interest on		
(i) Bank Loans	-	-
(ii) Corporate Loans	208.55	0.09
Other Borrowing Costs	14.25	10.00
	222.80	10.09

Note 23 : Employee Benefits

Particulars	2017-18 Rs. in Lakhs	2016-17 Rs. in Lakhs
Salaries, Commission and Bonus	150.50	50.17
Contribution to Provident Fund, ESI and Gratuity	13.49	4.96
Staff welfare expenses	0.53	0.01
Shared costs	52.85	11.56
	217.37	66.69



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

Note 24 : Administrative and Other Expenses

Particulars	2017-18 Rs. in Lakhs	2016-17 Rs. in Lakhs
Rates and Taxes	0.36	0.40
Consultancy Fees	11.85	1.22
Printing and Stationery	1.05	1.37
Audit Fees - Statutory Audit	0.50	0.50
- Tax Audit	0.30	-
- Other Services	-	0.25
Traveling Expenses	0.25	0.70
Insurance	0.03	0.16
Service Tax & GST	12.70	7.21
Collection Charges	-	0.09
Filing Fees	0.05	-
Rating Fees	-	0.13
Business Promotion Expenses	0.08	-
Credit Information Fees	1.26	-
Shared Costs	22.15	7.13
Miscellaneous Expenses	2.39	0.82
	52.97	19.98

Note 25 : Provisions, Loan Losses and Other Charges

Particulars	2017-18 Rs. in Lakhs	2016-17 Rs. in Lakhs
Provision for Non-Performing Assets	3.75	-
Provision for Standard Assets	10.02	4.07
	13.77	4.07



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

26 Disclosure under Accounting Standards**26.1 Segment reporting**

The Company is engaged in the business of Housing Finance. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting"

26.2 Related Party Transactions

	As at 31 March 2018	As at 31 March 2017
Holding company	M/s.Five-Star Business Finance Ltd	M/s.Five-Star Business Finance Ltd
Key Management Personnel	Mr.D. Lakshmiopathy, Chairman and Managing Director	Mr.D. Lakshmiopathy, Chairman and Managing Director

Details of related party transactions for the year

Nature of transaction	Name of Related Party	For the year ended 31.03.2018	For the year ended 31.03.2017
Expenses:			
Shared cost	M/s.Five-Star Business Finance Limited, Holding Company	75.00	18.69
Liabilities at the end of the year			
Equity share capital	M/s.Five-Star Business Finance Limited, Holding Company	1,500.00	1,500.00

26.3 Earnings per share

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Profit after tax (Rs in lakhs.)	(34.65)	24.84
Weighted Average Number of Equity Shares		
- Basic (No.)	150,00,000	150,00,000
- Diluted (No.)	150,00,000	150,00,000
Earnings Per Share (EPS)		
- Basic (Amount in Rs.)	(0.23)	0.17
- Diluted (Amount in Rs.)	(0.23)	0.17
Face Value of Share (Rs.)	10.00	10.00



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

27 Disclosure pursuant to Notifications issued by National Housing Bank (vide circular NHB/ND/DRS/Pol.No.35/2010-1 dated October 11,2010 :

27.1 Capital Adequacy Ratio

Particulars	As at 31 Mar 2018	As at 31 Mar 2017
CRAR (%)		
CRAR – Tier I Capital (%)	121.40	161.12
CRAR – Tier II Capital (%)	1.13	-
Total Capital [as a Percentage of Total Risk Weighted Assets (%)]	122.53	161.12

27.2 Exposure to Real Estate sector, both direct and indirect

Particulars	As at 31 Mar 2018 Rs. in Lakhs	As at 31 Mar 2017 Rs. in Lakhs
1 Direct exposure		
i. Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:		
- individual housing loans upto ₹ 15 lakhs	2,591.29	822.71
- individual housing loans more than ₹ 15 lakhs	240.76	194.63
ii. Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.).		
- Fund based	-	-
- Non Fund based	-	-
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
2 Indirect exposure		
Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total exposure to Real Estate sector	2,832.05	1,017.34



Five-Star Housing Finance Private Limited
Notes forming part of the financial statements for the year ended March 31, 2018

28 Asset Liability Management

(a) Maturity pattern of certain items of assets and liabilities as at 31st March 2018

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Financial Institutions/CP	300.00	-	50.00	1,050.00	100.00	300.00	-	-	-	-	1,800.00
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	14.66	14.39	14.58	45.01	112.37	455.41	508.92	547.15	943.66	175.90	2,832.05
Investments	400.00	-	-	-	-	-	-	-	-	-	400.00

(b) Maturity pattern of certain items of assets and liabilities as at 31st March 2017

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Financial Institutions/CP	-	-	-	-	-	300.00	-	-	-	-	300.00
Market Borrowings	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	8.05	8.17	8.28	26.00	45.11	373.96	203.83	126.00	179.00	31.00	1,009.41
Investments	434.31	-	-	-	-	-	-	-	-	-	434.31



Five-Star Housing Finance Private Limited

Notes forming part of the financial statements for the year ended March 31, 2018

29 Additional information to the financial statements**29.1 Micro, small and Medium Enterprises**

There are no amounts due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006"

29.2 Loan Portfolio and Provision for Standard and Non Performing Assets

Asset Classification	Loan Outstanding As At		Provision for Assets As At	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
Standard Assets	2,817.06	1,009.41	14.09	4.07
Sub-Standard Assets	15.00	-	3.75	-
Total	2,832.06	1,009.41	17.84	4.07

29.3 Contingent liability

There is no contingent liability as at 31st March 2018.

29.4 Employee stock option

Disclosure of benefits given to employee by holding company under "Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014":

Name of the Employee	Designation	Stock Options	Cost incurred by holding company*
Mr.RM Veerappan	Head- Credit	2500 options	Rs. 3.67 lakhs

* represents ESOP expenses accounted by Holding company as per Guidance note on Share based payments issued by ICAI.

29.5 Pending litigations

The Pending Litigations as on 31st March 2018 have been compiled by the company and reviewed by Statutory Auditors. The Current position of the litigations has been evaluated and the effect thereof has been disclosed in the financial statements

29.6 Provision for Loan Accounts

Based on the current status of the loan accounts, the company has made adequate provisions for losses, where required.

29.7 Previous years

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosures.

Per our report of even date attached
For **Brahmayya & Co.**
Chartered Accountants

Firm Registration Number 000511S



Partner
Membership No. 203358

For and on behalf of **Board of Directors**

D. Lakshmipathy
Chairman & Managing Director

G. Srikanth
Chief Financial Officer

B. Hari Babu
Director

B. Shalini
Company Secretary

Place : Chennai
Date: 22nd May 2018