FIVE-STAR HOUSING FINANCE PRIVATE LIMITED

ANNUAL REPORT

FINANCIAL YEAR 2018-19

Directors Report to members

Your directors have pleasure in presenting the Fourth Annual report together with the audited accounts of the company for the financial year ended March 31, 2019.

Financial Results

Financial Highlights

(Amount in Rs. Lakhs)

Particulars	For the Financial Year ended 31st March 2019	For the Financial Year ended 31st March 2018
Revenue from operations	727.32	434.22
Other Income	0.07	0.01
Total expenses	681.76	538.01
Profit before taxation	45.63	(103.78)
Tax expenses	9.58	(24.60)
Profit after taxation	36.05	(79.18)
Other comprehensive income	(2.56)	(0.59)
Total comprehensive income	33.49	(79.77)

State of Company's Affairs, Future Outlook and Change in Nature of Business

Your Company's operating income for the Financial year ended 31st March 2019 was Rs 727.32 lakhs and the profit before taxation was Rs 45.63 lakhs. During the financial year 2018 - 19, your Company sanctioned loans amounting to Rs.1173.40 Lakhs and disbursed loans amounting to Rs.1822.93 Lakhs. Your company had taken a conscious decision to go slow on account of mushrooming asset quality issues in the Housing Finance space. Further, the expectations of the borrowers from a loan ticket size perspective were also aggressive, which was against the conservative nature of your company. In view of all this, a decision was taken to not provide any incremental sanctions with effect from Feb 2019. It was also decided to review the strategy in the forthcoming financial year and take necessary actions.

Dividend

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

Transfer to Reserves

The amounts transferred to statutory reserves and general reserves are Rs.7.21 lakhs and Nil respectively. 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. Accordingly, your Company has transferred Rs.7.21 lakhs to special reserve in accordance with Section 29C(i) of National Housing Bank Act, 1987 read along with Section 36(1)(viii) of the Income Tax Act, 1961.

Changes in Share Capital

The issued, subscribed and paid up share capital as on 31st March 2019 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.

Extract of Annual Return

As per Section 134 (3) (a) of the Companies Act, 2013, annual return referred to in Section 92(3) of the act has been placed at the web address: www.fivestargroup.in.

Board Meetings

During the financial year ended 31st March 2019, Six (6) Board Meetings were held on 30th April 2018, 22nd May 2018, 28th August 2018, 13th November 2018, 29th January2019 and 20th March 2019 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 R Anand. All the recommendations of the Committee have been adopted by the Board.

b) Nomination & Remuneration Committee:

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

c) Business & Resource Committee:

The Business & Resource Committee comprises of Mr D Lakshmipathy, 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 Lakshmipathy, 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 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 A* to this report.

Material Changes Affecting the Financial Position of the Company.

There are no material changes and commitments between 31st March 2019 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 and does not own any manufacturing facility hence the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of Section 134 of the Companies Act, 2013 and the rules framed thereunder is not applicable. The Company does not have foreign Currency earnings or expenditure during the financial year.

Foreign Exchange Earnings/Outgo

Your Company did not have any foreign exchange earnings or expenditure during the financial year ended 31st March 2019.

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.

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, Managing Director, retires by rotation at the ensuing 4th 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 & Managing Director
b. Mr. G Srikanth, Chief Financial Officer
c. Ms. Shalini Baskaran, Company Secretary

During the year under review, no change took place in the composition of Key Managerial Personnel.

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.

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.

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.

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 Director was held on 22nd May 2018 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.

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.

Auditors

Statutory Auditors' Report

The Report of the Statutory Auditor's to the members is annexed to and forms part of the financial statements and the same does not contain any qualification, reservation or adverse remark on the financial statements prepared as per Section 133 of the Companies Act, 2013 and notes on accounts annexed thereto.

Statutory Auditors

Pursuant to the provisions of Section 139 of the Companies Act, 2013, M/s B S R & Co. LLP, Chartered Accountants were appointed as the statutory auditors of the Company at the 3rd Annual General Meeting (AGM) of the shareholders held on 22nd September 2018, to hold office up to the conclusion of the 4th AGM to be held during calendar year 2019. It is proposed to appoint M/s B S R & Co. LLP for the financial years FY 2019-20 to hold office from the conclusion of the 4th AGM upto the conclusion of the 5th AGM.

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

The Company has in place an Anti-Sexual Harassment Policy named "Policy Against Sexual Harassment" in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committees (ICC) have been set up to redress complaints received regarding sexual harassment. The said policy is uploaded in the website of the Company. During the year under review, no complaint were 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.

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 financial statements, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b. 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;

c. the directors have 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 have prepared the annual accounts on a going concern basis; and

e. the directors have 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: 14th May 2019

Annexure A

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 arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil

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.
    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, with subsequent approvals by the Board once every quarter
    g) Amount paid as advance, if any: NA
    h) Date on which the special resolutions was passed in general meeting as required under the first proviso to section 188: Not applicable

For Five-Star Housing Finance Private Limited

D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Place: Chennai
Date: 14/05/2019

Annexure B

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 3 points.

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

Independent Auditors’ Report

To the Members of Five-Star Housing Finance Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Five-Star Housing Finance Private Limited (“the Company”), which comprise the balance sheet as at 31 March 2019, the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the financial statements”).

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 Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit, other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors’ Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors’ Report Thereon

The Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company’s board report, but does not include the financial statements and our auditors’ report thereon. The board report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the board report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under applicable laws and regulations.

Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit / loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding of 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.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The comparative financial information of the Company for the year ended 31 March 2018 and the transition date opening balance sheet included in these financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Rule 7 of the Companies (Accounting Standards) Rules, 2014 (as amended) audited by the predecessor auditor whose report for the year ended 31 March 2018 and 31 March 2017 dated 22 May 2018 and 23 May 2017 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. 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 (including other comprehensive income), the statement of changes in equity and statement of cash flows dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

Report on Other Legal and Regulatory Requirements (Continued)

3. With respect to the other matters to be included in the Auditors' 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 does not have any pending litigations which would impact its financial position as at 31 March 2019;

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Company does not have any derivative contracts - Refer Note 5 and 24 to the financial statements;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019

4. With respect to the matter to be included in the Auditors' Report under section 197(16):

   The Company being a private company, the provisions of section 197 to the Act is not applicable.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

Naveen Raj R
Partner
Membership No: 217772
Place: Chennai
Date: 14 May 2019

Annexure A to the Independent Auditors' Report

To the Members of Five-Star Housing Finance Private Limited for the year ended 31 March 2019

(referred to in our report of even date)

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According to information and explanation given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties. Accordingly, paragraph 3(i)(c) of the Order is not applicable.

(ii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is primarily engaged in business of lending activities, accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.

(iii) In our opinion and according to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register required under Section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided any guarantee or security to parties which requires compliance under section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. Accordingly, the provisions of paragraph 3(v) of the Order is not applicable to the Company.

(vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable.

Annexure A to the Independent Auditors' Report

To the Members of Five-Star Housing Finance Private Limited for the year ended 31 March 2019

(referred to in our report of even date)

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues have generally been deposited regularly during the year by the Company with the appropriate authorities. As explained to us, the Company did not have dues on account of sales tax, service tax, duty of customs, duty of excise and value added tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable, except as described in Note 31 to the financial statements.

(b) According to the information and explanations given to us, there are no dues of income-tax and goods and services tax which have not been deposited with the appropriate authorities on account of dispute

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, or to any financial institutions. The Company did not have any outstanding loans or borrowings to Government and to debenture holders during the year.

(ix) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments). However, the Company has raised term loans during the year. In our opinion and according to the information and explanations given to us, the term loan taken by the Company have been applied for the purpose for which they were raised.

(x) According to the information and explanations given to us, no material fraud by or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) The Company is a private limited company and hence the provisions of section 197 of the Act is not applicable. Accordingly, paragraph 3(xi) of the Order is not applicable.

(xii) According to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the transactions with the related parties are in compliance with sections 188 of the Act where applicable and the details have been disclosed in the financial statements as required by the accounting standards. The Company is a private limited company and hence the provisions of section 177 of the Act is not applicable.

(xiv) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares, fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company being a housing finance company is required to be registered with National Housing Bank and is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

Naveen Raj R
Partner
Membership No: 217772
Place: Chennai
Date: 14 May 2019

Annexure B to the Independent Auditors' Report

To the Members of Five-Star Housing Finance Private Limited for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Five-Star Housing Finance Private Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

for **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

Naveen Raj R
Partner
Membership No: 217772
Place: Chennai
Date: 14 May 2019

Five-Star Housing Finance Private Limited
Balance Sheet as at March 31, 2019
(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

Particulars	Note	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
ASSETS				
Financial assets				
Cash and cash equivalents	4	968.19	494.83	427.10
Loans	5	3,842.67	2,762.92	987.75
Investments	6	-	-	443.41
Other financial assets	7	7.09	2.36	2.19
		4,817.95	**3,260.11**	**1,860.45**
Non - financial assets				
Current tax assets (net)	8	11.84	20.65	8.29
Deferred tax assets (net)	33	42.39	28.26	3.43
Property, plant and equipment	10	0.03	0.07	0.19
Other non - financial assets	9	6.41	6.82	12.28
		60.67	**55.80**	**24.19**
Total assets		**4,878.62**	**3,315.91**	**1,884.64**
LIABILITIES AND EQUITY				
Financial liabilities				
Payables	11			
Trade payables				
-total outstanding dues of micro and small enterprises		-	-	-
-total outstanding dues of creditors other than micro and small enterprises		11.30	25.13	21.43
Borrowings (other than debt securities)	12	3,320.97	1,794.24	290.00
Other financial liabilities	13	7.45	-	0.09
		3,339.72	**1,819.37**	**311.52**
Non-financial liabilities				
Current tax liabilities (net)	14	2.28	-	-
Provisions	15	11.07	4.29	2.09
Other non-financial liabilities	16	21.07	21.26	20.27
		34.42	**25.55**	**22.36**
Equity				
Equity share capital	17	1,500.00	1,500.00	1,500.00
Other equity	18	4.48	(29.01)	50.76
		1,504.48	**1,470.99**	**1,550.76**
		4,878.62	**3,315.91**	**1,884.64**

See accompanying notes to the financial statements

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

For and on behalf of the Board of Directors of
Five-Star Housing Finance Private Limited
CIN : U74900TN2015PTC102366

Naveen Raj R
Partner
Membership No: 217772

D Lakshmipathy
Chairman and Managing Director
DIN No : 01723269

B.Hari Babu
Director
DIN No : 01509249

G Srikanth
Chief Financial Officer
Place : Chennai
Date : May 14, 2019

B Shalini
Company Secretary
ACS : A51334

Place : Chennai
Date : May 14, 2019

Five-Star Housing Finance Private Limited
Statement of Profit and loss for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

Particulars	Note	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from operations			
Interest income	19	687.27	307.90
Fee income	20	9.97	40.33
Net gain on fair value changes	21	30.08	85.99
Total revenue from operations		**727.32**	**434.22**
Other income	22	0.07	0.01
Total income		**727.39**	**434.23**
Expenses			
Finance costs	23	306.60	227.04
Impairment on financial instruments	24	54.64	29.04
Employee benefits expenses	25	174.55	163.70
Depreciation		0.04	0.12
Other expenses	26	145.93	118.11
Total expenses		**681.76**	**538.01**
Profit before tax		**45.63**	**(103.78)**
Tax expense			
Current tax	28A	22.81	-
Deferred tax		(13.23)	(24.60)
		9.58	(24.60)
Profit for the year		**36.05**	**(79.18)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit plan		3.46	0.82
Income tax relating to items that will not be reclassified to profit or loss		(0.90)	(0.23)
Net other comprehensive income not to be reclassified subsequently to profit or loss		2.56	0.59
Other comprehensive income for the year, net of income tax		2.56	0.59
Total comprehensive income		**33.49**	**(79.77)**
Earnings per equity share			
Basic and diluted (in rupees)	34	0.24	(0.53)

See accompanying notes to the financial statements

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

Naveen Raj R
Partner
Membership No: 217772

Place : Chennai
Date : May 14, 2019

For and on behalf of the Board of Directors of
Five-Star Housing Finance Private Limited
CIN : U74900TN2015PTC102366

D Lakshmipathy
Chairman and Managing Director
DIN No : 01723269

B.Hari Babu
Director
DIN No : 01509249

G Srikanth
Chief Financial Officer
Place : Chennai
Date : May 14, 2019

B Shalini
Company Secretary
ACS : A51334

Five-Star Housing Finance Private Limited
Statement of Cash Flow for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

Particulars	Note	Year ended March 31, 2019	Year ended March 31, 2018
A. Cash Flow from Operating Activities			
Net profit before tax		**45.63**	**(103.78)**
Adjustments for:			
Depreciation		0.04	0.12
Provision for gratuity		1.87	0.99
Provision for compensated absences		1.45	0.39
Impairment on financial instruments		54.64	29.04
Profit on sale of current investments (net)		(30.08)	(85.99)
Interest income on deposits with banks / others		(17.16)	(3.75)
Finance costs		307.13	227.03
Operating cash flow before working capital changes		**363.52**	**64.05**
Changes in Working Capital:			
Adjustments for (Increase) / Decrease in Operating Assets:			
Loans		(1,134.39)	(1,804.20)
Other non- financial assets		0.41	5.46
Other financial assets		(2.91)	0.17
Adjustments for Increase / (Decrease) in Operating Liabilities:			
Trade payables		(13.84)	3.71
Other non financial liabilities		(0.18)	0.98
Net cash (used in) operations		**(787.39)**	**(1,729.83)**
Direct taxes paid (net)		(11.71)	(12.37)
Finance costs paid		(306.29)	(222.89)
Net Cash Used in Operating Activities (A)		**(1,105.39)**	**(1,965.09)**
B. Cash Flow from Investing Activities			
Profit on sale of current investments		30.08	85.99
Sale of current investments (net)		-	443.41
Interest income on deposits with banks / others		15.34	3.42
Net Cash from Investing Activities (B)		**45.42**	**532.82**
C. Cash Flow from Financing Activities			
Fresh borrowings during the year		3,500.00	2,700.00
Repayments of borrowings		(1,966.67)	(1,200.00)
Net Cash from Financing Activities (C)		**1,533.33**	**1,500.00**
Net Increase in Cash and Cash Equivalents [(A) + (B) + (C)]		473.36	67.73
Cash and Cash Equivalents at the beginning of the year	4	494.83	427.10
Cash and Cash Equivalents at the end of the year	4	968.19	494.83

Five-Star Housing Finance Private Limited
Statement of Cash Flow for the year ended March 31, 2019 (Continued)
(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

Particulars	Note	As at March 31, 2019	As at March 31, 2018
Notes to cash flow statement			
1 Cash and cash equivalents			
Cash on hand		1.76	1.18
Balances with banks			
(i) In current accounts		665.43	93.65
(ii) In other deposit accounts (original maturity less than 3 months)		301.00	400.00
	4	**968.19**	**494.83**

2 Change in liabilities arising from financing activities

Particulars	Borrowings (other than debt securities)
As at April 1, 2017	**290.00**
Cash flows (net)	1,500.00
Others*	4.24
As at March 31, 2018	**1,794.24**
Cash flows (net)	1,533.33
Others*	(6.60)
As at March 31, 2019	**3,320.97**

* Others column includes the effect of amortization of processing fees etc.

See accompanying notes to the financial statements

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

For and on behalf of the Board of Directors of
Five-Star Housing Finance Private Limited
CIN : U74900TN2015PTC102366

Naveen Raj R
Partner
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D Lakshmipathy
Chairman and Managing Director
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Director
DIN No : 01509249

G Srikanth
Chief Financial Officer
Place : Chennai
Date : May 14, 2019

B Shalini
Company Secretary
ACS : A51334

Place : Chennai
Date : May 14, 2019

Five-Star Housing Finance Private Limited
Standalone Statement of Changes in Equity for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

A Equity share capital

Particulars	Number of shares	Amount
Balance as at April 1, 2017	1,50,00,000	1,500.00
Add: Issued during the year	-	-
Balance as at March 31, 2018	**1,50,00,000**	**1,500.00**
Balance as at April 1, 2018	1,50,00,000	1,500.00
Add: Issued during the year	-	-
Balance as at March 31, 2019	**1,50,00,000**	**1,500**

B Other Equity

	Reserves and surplus			Other Comprehensive Income	Total
	Statutory reserve	General reserve	Retained earnings	Remeasurements of defined benefit liability/ assets	
As at April 1, 2017	**11.60**	**6.60**	**32.56**	**-**	**50.76**
Total comprehensive income for the year	-	-	(79.18)	(0.59)	**(79.77)**
Transfer to retained earnings	-	-	(0.59)	0.59	-
As at March 31, 2018	**11.60**	**6.60**	**(47.21)**	**-**	**(29.01)**
Total comprehensive income for the year	-	-	36.05	(2.56)	**33.49**
Transfer to statutory reserve	7.21	-	(7.21)	-	**-**
Transfer to retained earnings	-	-	(2.56)	2.56	-
As at March 31, 2019	**18.81**	**6.60**	**(20.93)**	**-**	**4.48**

See accompanying notes to the financial statements

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

For and on behalf of the Board of Directors of
Five-Star Housing Finance Private Limited
CIN : U74900TN2015PTC102366

Naveen Raj R
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D Lakshmipathy
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DIN No : 01509249

G Srikanth
Chief Financial Officer
Place : Chennai
Date : May 14, 2019

B Shalini
Company Secretary
ACS : A51334

Place : Chennai
Date : May 14, 2019

1 Reporting entity

Five-Star Housing Finance Private Limited ("the Company") was incorporated on September 28, 2015 with the primary objective of carrying on the business of providing long term housng finance to meet the housing needs of low and middle income segment in the country.
The Company received the certificate of registration from the National Housing Bank (NHB) on May 3, 2016 to commence the business of Housing finance without accepting public deposits.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act'), other relevant provisions of the Act.

The Company's financial statements up to and for the year ended March 31, 2018 were prepared under historical cost convention and accrual basis of accounting, unless otherwise stated and in accordance with generally accepted accounting principles in India (Indian GAAP) and conform to the statutory requirements, circulars, regulations and guidelines issued by National Housing Bank (NHB) from time to time. Indian GAAP comprises mandatory Accounting Standards as prescribed under Section 133 of the Act and other relevant provisions of the Act.

As these are the Company's first financial statements prepared in accordance with Ind AS, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in note 41.

These financial statements were authorised for issue by the Company's Board of Directors on May 14, 2019.

2.2 Presentation of financial statements

The Balance Sheet, the Statement of Profit and Loss, Statement of Changes in Equity, are presented in the format prescribed under Division III of Schedule III as amended from time to time, for Non Banking Financial Companies ('NBFC') (which includes Housing Finance Companies) that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented separately.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis.

2.3 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest lakhs (upto two decimals), unless otherwise indicated.

2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Financial assets and liabilities	Fair value /Amortised cost, as applicable
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit

2.5 Use of estimates and judgements

The preparation of the standalone financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period.

2.5 Use of estimates and judgements (continued)

Accounting estimates could change from period to period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the standalone financial statements. Information about judgements, estimates and assumptions made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

i) Business model assessment

Classification and measurement of financial assets depends on the results of business model and the solely payments of principal and interest ("SPPI") test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

ii) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

iii) Effective Interest Rate ("EIR") method

The Company's EIR methodology, as explained in Note 3.1(A), recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well as expected changes to interest rates and other fee income/ expense that are integral parts of the instrument.

iv) Impairment of financial asset

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include :

a) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time expected credit loss ("LTECL") basis.
b) Development of ECL models, including the various formulas and the choice of inputs.
c) Determination of associations between macroeconomic scenarios and economic inputs, such as gross domestic products, lending interest rates and collateral values, and the effect on probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").

d) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

2.5 Use of estimates and judgements (continued)

v) Provisions and other contingent liabilities

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the outflow is considered to be probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

These estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. Management believes that the estimates used in preparation of the standalone financial statements are prudent and reasonable.

vi) Other assumptions and estimation uncertainities

a) Information about critical judgements in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

i) Measurement of defined benefit obligations: key actuarial assumptions;
ii) Estimated useful life of property, plant and equipment and intangible assets;
iii) Recognition of deferred taxes.

3 Significant accounting policies

3.1 Revenue Recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind ASs.

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind 115 :

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

A. Effective Interest Rate ('EIR') Method

Under Ind AS 109, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial instrument.

3.1 Revenue Recognition (Continued)

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

The Company calculates interest income by applying EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'stage 3', the Company continues to calculate interest income on the gross carrying amount of the financial asset.

B. Other interest income
Other interest income is recognised on a time proportionate basis.

C. Fee income
Fees income such as legal inspection charges, cheque bounce charges are recognised on point in time basis.

D. Others
Penal interest and other operating income are recognized as income upon certainty of receipt.
Profit / loss on sale of investments is recognised at the time of sale or redemption and is computed based on First in First out method.
All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

3.2 Financial instrument - initial recognition

A. Date of recognition

Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

B. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from this amount.

C. Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

i) Amortised cost

ii) FVOCI

iii) FVTPL

3.3 Financial assets and liabilities

A. Financial assets

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
d) The expected frequency, value and timing of sales are also important aspects of the Company’s assessment.

SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet SPPI test.

Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Accordingly, financial assets are measured as follows based on the existing business model:

i) Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in the above categories are measured at FVTPL.

B. Financial liabilities

i) Initial recognition and measurement
All financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition.

ii) Subsequent measurement
Financial liabilities are carried at amortized cost using the effective interest method.

3.4 Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in the year ended March 31, 2019 and March 31, 2018 and also as at transition date April

3.5 Derecognition of financial assets and liabilities

A. Derecognition of financial assets due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

B. Derecognition of financial assets other than due to substantial modification

i) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

ii) Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

3.6 Impairment of financial assets

A. Overview of ECL principles

In accordance with Ind AS 109, the Company uses ECL model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Expected credit losses are measured through a loss allowance at an amount equal to:

i) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

ii) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial

Both LTECLs and 12 months ECLs are calculated on collective basis.

Based on the above, the Company catagorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1:
When loans are first recognised, the Company recognises an allowance based on 12 months ECL. Stage 1 loans includes those loans where there is no significant credit risk observed and also includes facilities where the credit risk has been improved and the loan has been reclassified from stage 2 or stage 3.

Stage 2:
When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECL. Stage 2 loans also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.

Stage 3:
Loans considered credit impaired are the loans which are past due for more than 90 days. The Company records an allowance for life time ECL.

3.6 Impairment of financial assets (Continued)

B. Calculation of ECLs

The mechanics of ECL calculations are outlined below and the key elements are, as follows:

PD:
Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD:

Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

LGD:
Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company has calculated PD, EAD and LGD to determine impairment loss on the portfolio of loans and discounted at an approximation to the EIR. At every reporting date, the above calculated PDs, EAD and LGDs are reviewed and changes in the forward looking estimates are analysed.

The mechanics of the ECL method are summarised below:

Stage 1:
The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2:
When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3:
For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

C. Forward looking information

In its ECL models, the Company relies on a broad range of forward looking macro parameters and estimated the impact on the default at a given point of time.

3.7 Write-offs

Financial assets are written off when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment on financial instruments in the statement of profit and loss.

3.8 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company has taken into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument’s life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads; and

Level 3 financial instruments −Those that include one or more unobservable input that is significant to the measurement as whole.

3.9 Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Transition to Ind AS
On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at April 1, 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment.

iii. Depreciation
Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the written down value method, and is generally recognised in the statement of profit and loss.

The Company follows estimated useful lives which are given under Part C of the Schedule II of the Companies Act, 2013. The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	**Estimated Useful life**
Computers and accessories	3 years

3.10 Employee benefits

i. Post-employment benefits

Defined contribution plan

The Company's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made and when the services are rendered by the employees.

Defined benefit plans

Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'),if any. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

ii. Other long-term employee benefits

Compensated absences

The employees can carry forward a portion of the unutilised accrued compensated absences and utilise it in future service periods. Since the compensated absences do not fall due wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

iii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

3.11 Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

Contingent liability

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or; present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability are disclosed as contingent liability and not provided for.

Contingent asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are neither recognised not disclosed in the financial statements.

3.12 Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

ii. Lease payments

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

3.13 Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

3.13 Income tax (Continued)

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction; temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.14 Borrowing cost

Borrowing costs are interest and other costs incurred in connection with the borrowings of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of the asset. Other borrowings costs are recognized as an expense in the statement of profit and loss account on an accrual basis using the effective interest method.

3.15 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

3.16 Segment reporting- Identification of segments:

An operating segment is a component of the Company that engages in business activities from which it many earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segements and geographic segments.

3.17 Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with Ind AS 33, Earnings Per Share. Basic earnings per equity share is computed by dividing net profit / loss after tax attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed and disclosed by dividing the net profit/ loss after tax attributable to the equity share holders for the year after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are

3.18 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. Cash flows in foreign currencies are accounted at the actual rates of exchange prevailing at the dates of the transactions.

3.19 Standard Issued But Not Yet Effective

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective from April 1, 2019

Ind AS 116 - Leases

Ind AS 116 Leases was notified on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under Ind AS 116 is similar to existing Ind AS 17 accounting.

The Company will adopt Ind AS 116, effective annual reporting period beginning April 1, 2019. The Company will apply the standard to its leases, prospectively, using the modified prospective method with the cumulative effect of initially applying the standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company will not restate comparative information, instead, the cumulative effect of initially applying this Standard will be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an Company shall recognise the income tax consequences of dividends in the statement of profit or loss, other comprehensive income or equity according to where the Company originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the Company pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the Company has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the Company is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) Company has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109 – Prepayment features with negative compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 19 – Plan amendment, curtailment or settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

	Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
4	**Cash and cash equivalents**			
	Cash on hand	1.76	1.18	0.70
	Balances with banks			
	(i) In current accounts	665.43	93.65	426.40
	(ii) In other deposit accounts (original maturity less than 3 months)	301.00	400.00	-
		968.19	**494.83**	**427.10**
5	**Loans** (at amortised cost)			
A	**Based on nature**			
	Term loans			
	Gross term loans	**3,931.77**	**2,797.38**	**993.18**
	Less: Impairment loss allowance	89.10	34.46	5.43
	Net term loans	**3,842.67**	**2,762.92**	**987.75**
B	**Based on security**			
	Secured by tangible assets	3,931.77	2,797.38	993.18
	Unsecured	-	-	-
	Gross term loans	**3,931.77**	**2,797.38**	**993.18**
	Less: Impairment loss allowance	89.10	34.46	5.43
	Net term loans	**3,842.67**	**2,762.92**	**987.75**
C	**Based on region**			
	Loans in India			
	Public sector	-	-	-
	Others	3,931.77	2,797.38	993.18
	Less: Impairment loss allowance	89.10	34.46	5.43
		3,842.67	**2,762.92**	**987.75**
	Loans outside India	-	-	-
	Less: Impairment loss allowance	-	-	-
		-	-	-
	Total	**3,842.67**	**2,762.92**	**987.75**

Note:
Secured exposures are secured wholly by mortgage of property.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

	Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
6	**Investments**			
	At market value			
	Investment in mutual funds			443.41
	Gross investments	**-**	**-**	**443.41**
	Investments in India	-	-	443.41
	Investments outside India	-	-	-
	Gross investments	**-**	**-**	**443.41**
	Less: Impairment loss allowance	-	-	-
	Net investments	**-**	**-**	**443.41**
	Aggregate book value of quoted investments and market value thereof	-	-	443.41
	Aggregate book value of unquoted investments	-	-	-
	Aggregate amount impairment in value of investments	-	-	-
7	**Other financial assets**			
	Unsecured, considered good			
	Security deposits	0.01	0.01	0.01
	Interest accrued but not due on deposits	2.16	0.33	-
	Other receivables	4.92	2.02	2.18
		7.09	**2.36**	**2.19**
8	**Current tax assets (net)**			
	Advance income tax, net of provision	11.84	20.65	8.29
		11.84	**20.65**	**8.29**
9	**Other non - financial assets**			
	Prepaid expenses	0.35	-	12.28
	Balance with Government Authorities	6.06	6.82	-
		6.41	**6.82**	**12.28**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

10 Property plant and equipment

Reconciliation of carrying amount	Computers and accessories	Total
Cost or deemed cost (gross carrying amount)		
Balance at April 1, 2017	0.19	0.19
Additions/ Transfer-in	-	-
Disposals/Transfer-out	-	-
As at March 31, 2018	**0.19**	**0.19**
Additions/ Transfer-in	-	-
Disposals/Transfer-out	-	-
As at March 31, 2019	**0.19**	**0.19**
Accumulated depreciation		
Depreciation for the year	0.12	0.12
On disposals	-	-
As at March 31, 2018	**0.12**	**0.12**
Depreciation for the year	0.04	**0.04**
On disposals	-	-
As at March 31, 2019	**0.16**	**0.16**
Carrying amount (net)		
As at April 1, 2017	0.19	0.19
As at March 31, 2018	0.07	0.07
As at March 31, 2019	**0.03**	**0.03**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
11 Payables			
11.1 Trade payables			
total outstanding dues of micro and small enterprises	-	-	-
total outstanding dues of creditors other than micro and small enterprises	11.30	25.13	21.43
	11.30	**25.13**	**21.43**
To related parties	-	19.90	2.38
Others	11.30	5.23	19.05
	11.30	**25.13**	**21.43**
12 Borrowings (other than debt securities)			
At amortised cost			
Term loans (secured)			
From banks	933.33	-	-
From other parties	2,400.00	1,800.00	300.00
	3,333.33	**1,800.00**	**300.00**
Less: Unamortised processing fee	(12.36)	(5.76)	(10.00)
	3,320.97	**1,794.24**	**290.00**
Borrowings in India	3,320.97	1,794.24	290.00
Borrowings oustside India	-	-	-
	3,320.97	**1,794.24**	**290.00**

12.1 Details of terms of redemption/repayment and security provided in respect of debt securities and borrowings

Particulars	Tenor	Earliest installment date	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Term loans from banks					
Term Loan 1	60 months	December 5, 2018	933.33	-	-
			933.33	**-**	**-**
Term loans from others					
Term Loan 1	15 months	July 28, 2017	-	600.00	-
Term Loan 2	12 months	March 28, 2018	-	-	300.00
Term Loan 3	30 months	June 30, 2018	1,400.00	500.00	-
Term Loan 4	42 months	April 30, 2019	1,000.00	-	-
Term Loan 5	12 months	July 2, 2018	-	700.00	-
			2,400.00	**1,800.00**	**-**

All the above loans are secured by an exclusive first charge on book debts.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

	Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
13	**Other financial liabilities**			
	Interest accrued but not due on borrowings	7.45	-	0.09
		7.45	**-**	**0.09**
14	**Current tax liabilities (net)**			
	Provision for tax (net)	2.28	-	-
		2.28	**-**	**-**
15	**Provisions**			
	Provision for employee benefits			
	Provision for gratuity	8.31	2.98	1.17
	Provision for compensated absences	2.76	1.31	0.92
		11.07	**4.29**	**2.09**
16	**Other non-financial liabilities**			
	Statutory dues payable	5.70	12.43	5.65
	Employee related payables	15.37	8.83	14.62
		21.07	**21.26**	**20.27**

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
17 Equity share capital			
Authorised			
25,000,000 shares (March 31, 2018 - 25,000,000, April 1, 2017 - 25,000,000) of Rs. 10 each	2,500.00	2,500.00	2,500.00
Issued, subscribed and paid up			
15,000,000 shares (March 31, 2018 - 15,000,000 April 1, 2017 - 15,000,000) of Rs. 10 each	1,500.00	1,500.00	1,500.00

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	As at March 31, 2019		As at March 31, 2018	
	Number of shares	Amount in lakhs	Number of shares	Amount in lakhs
As at beginning of the year	1,50,00,000	1,500.00	1,50,00,000	1,500.00
Shares issued for cash	-	-	-	-
As at the end of the year	**1,50,00,000**	**1,500.00**	**1,50,00,000**	**1,500.00**

Terms/rights attached to equity shares:

The Company has a single class of equity shares. Accordingly all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. Dividends are paid in Indian Rupees. Dividend proposed by the board of directors, if any, is subject to the approval of the shareholders at the General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of shareholders holding more than 5% shares in the company

Name of shareholder	As at March 31, 2019	
	Number of shares	% of total shares in class
Five-Star Business Finance Limited	1,50,00,000	100.00

Name of shareholder	As at March 31, 2018	
	Number of shares	% of total shares in class
Five-Star Business Finance Limited	1,50,00,000	100.00

Name of shareholder	As at April 1, 2017	
	Number of shares	% of total shares in class
Five-Star Business Finance Limited	1,50,00,000	100.00

18 Other equity

Statutory reserve	18.81	11.60	11.60
General reserve	6.60	6.60	6.60
Retained earnings	(20.93)	(47.21)	32.56
Other comprehensive income	-	-	-
	4.48	**(29.01)**	**50.76**

Particulars	As at March 31, 2019	As at March 31, 2018
18 Other equity (Continued)		
i Statutory reserve		
Opening balance	11.60	11.60
Amount transferred from surplus in the statement of profit and loss	7.21	-
Closing balance	**18.81**	**11.60**

As per Section 29C of the National Housing Bank Act, 1987, the Company is required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Accordingly, the Company has transferred an amount of INR 7.21 Lakhs (March 31, 2018: Nil), out of the profit after tax for the year ended March 31, 2019 to Statutory Reserve.

ii General reserve		
Opening balance	6.60	6.60
Amount transferred from surplus in the statement of profit and loss	-	-
Closing balance	**6.60**	**6.60**

General reserve are free reserves which can be utilised for any purpose as may be required.

iii Retained earnings		
Opening balance	(47.21)	32.56
Net Profit for the year	36.05	(79.18)
Less : Appropriations		
Transfer to statutory reserve	(7.21)	-
Transfer from other comprehensive income	(2.56)	(0.59)
Closing balance	**(20.93)**	**(47.21)**

Retained earning is the accumulated available profit of the Company carried forward from earlier years. These reserve are free reserves which can be utilised for any purpose as may be required.

iv Other comprehensive income		
Opening balance	-	-
Remeasurements of defined benefit asset/ (liability)	2.56	0.59
Transfer to retained earnings	(2.56)	(0.59)
Closing balance	-	-

Remeasurement of the net defined benefit liabilities comprise actuarial gain or loss, if any.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

	Particulars	Year ended March 31, 2019	Year ended March 31, 2018
19	**Interest income**		
	(On financial assets measured at amortised cost)		
	Interest on loans	670.10	304.15
	Interest on deposits with banks	17.17	3.75
	Total	**687.27**	**307.90**
20	**Fee income**		
	Legal and inspection fees	9.51	40.17
	Others charges	0.46	0.16
	Total	**9.97**	**40.33**
21	**Net gain on fair value changes**		
	Net gain on financial instruments at fair value through profit or loss (FVTPL)		
	On trading portfolio		
	-Mutual fund investments at FVTPL	30.08	85.99
		30.08	**85.99**
	Fair value changes		
	Realised	30.08	85.99
	Unrealised	-	-
		30.08	**85.99**
22	**Other income**		
	Other non-operating income	0.07	0.01
		0.07	**0.01**
23	**Finance costs**		
	(On financial liabilities measured at amortised cost)		
	Interest on borrowings		
	- term loans from banks	58.64	-
	- term loans from others	247.96	227.04
		306.60	**227.04**
24	**Impairment on financial instruments**		
	(On financial assets measured at amortised cost)		
	Impairment loss allowance on loans	54.64	29.04
		54.64	**29.04**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

	Particulars	Year ended March 31, 2019	Year ended March 31, 2018
25	**Employee benefits expenses**		
	Salaries, wages and bonus	164.39	151.49
	Contribution to provident fund	9.96	11.68
	Staff welfare expenses	0.20	0.53
		174.55	**163.70**
26	**Other expenses**		
	Shared operating costs	118.24	75.00
	Rates and taxes	13.65	10.71
	Communication costs	0.02	-
	Printing and stationery	0.43	1.05
	Advertisement and publicity	-	0.08
	Auditors' fees and expenses (Refer note 27.1)	3.00	0.80
	Legal and professional charges	9.69	16.62
	Bank charges	0.38	0.28
	Insurance	-	0.03
	Travel expenses	-	0.25
	Miscellaneous expenses	0.52	13.29
		145.93	**118.11**
27.1	**Payments to auditors, excluding applicable taxes***		
	Statutory audit	2.50	0.50
	Tax audit	0.50	0.30
		3.00	**0.80**
	*Payments for the year ended March 31, 2018 include fees paid to erstwhile statutory auditors.		
28A	**Income tax**		
	i. Current tax		
	Current period	22.81	-
		22.81	-
	ii. Deferred tax		
	Attributable to–		
	Origination and reversal of temporary differences	(13.23)	(24.60)
		(13.23)	(24.60)
	Tax expense (i)+(ii)	**9.58**	**(24.60)**
28B	**Income tax recognized in other comprehensive income**		
	Re-measurements of the defined benefit plan	3.46	0.82
	Income tax relating to items that will not be reclassified to profit or loss	(0.90)	(0.23)
	Net of tax	**2.56**	**0.59**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

	Particulars	Year ended March 31, 2019	Year ended March 31, 2018
29	**Reconciliation of total tax expense**		
	Profit before tax	45.63	(103.78)
	Applicable tax rate	26.00%	27.82%
	Computed tax expense	**11.86**	**(28.87)**
	Tax effect of :		
	Permanent differences		
	Effect of allowance on the amount transferred to statutory reserve	(2.08)	-
	Effect of set off in the current year of losses in the Previous years not recognised as deferred tax asset	(2.06)	-
	Effect on deferred tax balance due to change in income tax rates	1.86	-
	Effect of loss on which deferred tax asset is not created	-	4.27
	Income tax expense recognised in statement of profit and loss	**9.58**	**(24.60)**
	Effective tax rate	21.00%	23.71%
30	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	-	-
31	**Contingent liabilities**		
	Claims against the Company not acknowledged as debt	-	-
	- Provident Fund (refer note below)		

In light of recent judgment of Honorable Supreme Court dated 28 February 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on the legal advise received, the Company has aligned the manner of computation of liability for Provident Fund effective the date of the order. There are significant uncertainties in determining the liability including, period of assessment, application for present and past employees and assessment of interest and penalties. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence disclosed as a contingent liability.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
32 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006			

Under Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is NIL.

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting period			
Principal	-	-	-
Interest	-	-	-
The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-	-

33 Deferred tax assets / (liability):

In relation to :

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Difference between written down value of fixed assets as per books of accounts and income tax	0.01	0.01	(0.01)
Employee benefits	3.57	1.19	0.58
Preliminary expenses	1.06	2.28	-
Impairment allowance	21.86	9.58	1.50
Unamortised processing fee income	19.12	16.80	6.65
Unamortised processing fee expenses	(3.23)	(1.60)	(2.76)
Fair value of investment	-	-	(2.53)
	42.39	**28.26**	**3.43**

The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense

	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
For the year ended March 31, 2018 :				
Difference between written down value of fixed assets a books of accounts and income tax	(0.01)	0.02	-	0.01
Employee benefits	0.58	0.39	0.23	1.19
Preliminary expenses	-	2.28	-	2.28
Impairment allowance	1.50	8.08	-	9.58
Unamortised processing fee income	6.65	10.15	-	16.80
Unamortised processing fee expenses	(2.76)	1.15	-	(1.60)
Fair value of investment	(2.53)	2.53	-	-
Total	**3.43**	**24.60**	**0.23**	**28.26**
For the year ended March 31, 2019 :				
Difference between written down value of fixed assets a books of accounts and income tax	0.01	0.00	-	0.01
Employee benefits	1.19	1.48	0.90	3.57
Preliminary expenses	2.28	(1.21)	-	1.06
Impairment allowance	9.58	12.28	-	21.86
Unamortised processing fee income	16.80	2.32	-	19.12
Unamortised processing fee expenses	(1.60)	(1.63)	-	(3.23)
Total	**28.26**	**13.23**	**0.90**	**42.39**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

34 Earnings per share

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Profit after tax	36.05	(79.18)
Weighted Average Number of Equity Shares in calculation of basic and diluted earnings per share	1,50,00,000	1,50,00,000
Basic and Diluted earnings per share	0.24	(0.53)

35 Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Managing Director ('MD') to make decisions about resources to be allocated to the segments and assess their performance. The MD is considered to be the Chief Operating Decision Maker ('CODM') within the purview of Ind AS 108 Operating Segments.

The CODM considers the entire business of the Company on a holistic basis to make operating decisions and thus there are no segregated operating segments. The Company is primarily engaged in providing housing loans. The CODM of the Company reviews the operating results of the Company as a whole and therefore not more than one reportable segment is required to be disclosed by the Company as envisaged by Ind AS 108 Operating Segments. Accordingly, amounts appearing in these financial statements relates to small business loans and loans for house renovations / extensions etc.

The Company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per IND AS 108 Operating Segments.

36 Related party disclosures

a Name of the related parties and nature of relationship:

Holding company :
Five-Star Business Finance Limited

Key Management Personnel :
D. Lakshmipathy, Chairman and Managing Director
G. Srikanth, Chief Financial Officer
B. Shalini, Company Secretary

b Details of related party transactions

Nature of transaction	Year ended March 31, 2019	Year ended March 31, 2018
Shared operating costs		
Five-Star Business Finance Limited	118.24	75.00
Year end balances - Trade Payables		
Five-Star Business Finance Limited	-	19.90

37 Employee benefits - post employment benefit plans

A Defined contribution plans

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised INR 5.68 lakhs (year ended March 31, 2018 - INR 6.57 lakhs) for provident fund contributions, and INR 4.28 lakhs (year ended March 31, 2018 - INR 5.11 lakhs) for employee state insurance scheme contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

B Defined benefit plans

The Company operates a defined benefit plan (the Gratuity plan) covering eligible employees. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age/ resignation date.

The defined benefit plans expose the Company to risks such as Actuarial risk, Investment risk, Liquidity risk, Market risk, Legislative risk. These are discussed as follows:

Actuarial risk: It is the risk that benefits will cost more than expected. This can arise due to one of the following reasons:

Adverse salary growth experience: Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

Variability in mortality rates: If actual mortality rates are higher than assumed mortality rate assumption then the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cash flow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption then the Gratuity Benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

Investment risk: For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.

Liquidity risk: Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/retire from the company there can be strain on the cash flows.

Market risk: Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in defined benefit obligation of the plan benefits and vice versa. This assumption depends on the yields on the government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

Legislative risk: Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act, 1972, thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

Funding
The Company does not have a funded gratuity scheme for its employees as at March 31, 2019. Gratuity provision has been made based on the actuarial valuation.

Reconciliation of net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit asset (liability) and its components.

Particulars	As at March 31, 2019	As at March 31, 2018
Present value of obligations	8.31	2.98
Fair value of plan assets	-	-
Asset/ (Liability) recognised in the balance sheet	**(8.31)**	**(2.98)**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

37 Employee benefits - post employment benefit plans (Continued)

i. Reconciliation of present value of defined benefit obligation		
Balance at the beginning of the year	2.98	1.17
Benefits paid	-	-
Current service cost	1.65	0.91
Past service cost	-	-
Interest cost	0.22	0.08
Actuarial (gain)/loss recognized in other comprehensive income		
changes in demographic assumptions	0.46	
changes in financial assumptions	3.63	0.96
experience adjustments	(0.63)	(0.14)
Balance at the end of the year	**8.31**	**2.98**
Net defined benefit (asset) liability	**8.31**	**2.98**

Expense recognized in profit or loss

Current service cost	1.65	0.91
Interest cost	0.22	0.08
Past service (gain)/ loss	-	-
	1.87	**0.99**

Remeasurements recognized in other comprehensive income

Actuarial (gain) loss on defined benefit obligation	(3.46)	(0.82)
Return on plan assets excluding interest income	-	-
	(3.46)	**(0.82)**

Actuarial assumptions	**Year ended March 31, 2019**	**Year ended March 31, 2018**
Discount rate	7.30%	7.44%
Future salary growth	15.00%	10.00%
Attrition rate	12.00%	15.00%

Previous years information

Gratuity	**31-Mar-19**	**31-Mar-18**	**31-Mar-17**
Defined benefit obligation	8.31	2.98	1.17
Fair value of plan assets	-	-	-
Deficit in plan	(8.31)	(2.98)	(1.17)
Experience adjustments on plan liabilities	(0.63)	(0.14)	-
Experience adjustments on plan assets	-	-	-

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Year ended March 31, 2019	**Year ended March 31, 2018**
Discount rate		
-1% increase	(0.50)	(0.25)
-1% decrease	0.56	0.29
Future salary growth		
-1% increase	0.52	0.29
-1% decrease	(0.48)	(0.26)
Attrition rate		
-1% increase	(0.58)	(0.12)
-1% decrease	0.69	0.13

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

38 Capital Management

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulator, National Housing Bank (NHB). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by NHB.

The Company has complied in full with all its externally imposed capital requirements over the reporting period.

Capital management

The primary objectives of the Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

i Net Debt to Equity Ratio

Consistent with the others in industry, the company monitors the capital on the basis of gearing ratio (Net debt divided by equity). Under the terms of the major borrowing facilities, the company is required to maintain the gearing ratio in line with the NHB guidelines or in a slightly more conservative manner. The actual gearing stipulated differs between the various lending agreements. The company has complied with this covenant through out the year.

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Equity			
Debt	3,320.97	1,794.24	290.00
Cash and cash equivalents	968.19	494.83	427.10
Net Debt	2,352.78	1,299.41	(137.10)
Net Debt to Equity Ratio	1.56	0.88	(0.09)

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

39 Fair value measurement

a. Financial instruments by category

The carrying value and fair value of financial instruments by categories as of March 31, 2019 were as follows:

	Carrying amount			
Particulars	**Amortised cost**	**Fair value through profit or loss**	**Other financial liabilities**	**Total carrying value**
Assets:				
Cash and cash equivalents	968.19	-	-	968.19
Loans	3,842.67	-	-	3,842.67
Other financial assets	7.09	-	-	7.09
Total	**4,817.95**	**-**	**-**	**4,817.95**
Liabilities:				
Trade payables	11.30	-	-	11.30
Borrowings (Other than debt secuities)	3,320.97	-	-	3,320.97
Other financial liabilities	-	-	7.45	7.45
Total	**3,332.27**	**-**	**7.45**	**3,339.72**

The carrying value and fair value of financial instruments by categories as of March 31, 2018 were as follows:

	Carrying amount			
Particulars	**Amortised cost**	**Fair value through profit or loss**	**Other financial liabilities**	**Total carrying value**
Assets:				
Cash and cash equivalents	494.83	-	-	494.83
Loans	2,762.92	-	-	2,762.92
Other financial assets	2.36	-	-	2.36
Total	**3,260.11**	**-**	**-**	**3,260.11**
Liabilities:				
Trade payables	25.13	-	-	25.13
Borrowings (Other than debt secuities)	1,794.24	-	-	1,794.24
Other financial liabilities	-	-	-	-
Total	**1,819.37**	**-**	**-**	**1,819.37**

The carrying value and fair value of financial instruments by categories as of April 1, 2017 were as follows:

	Carrying amount			
Particulars	**Amortised cost**	**Fair value through profit or loss**	**Other financial liabilities**	**Total carrying value**
Assets:				
Cash and cash equivalents	427.10	-	-	427.10
Loans	987.75	-	-	987.75
Investments	-	443.41	-	443.41
Other financial assets	2.19	-	-	2.19
Total	**1,417.04**	**443.41**	**-**	**1,860.45**
Liabilities:				
Trade payables	21.43	-	-	21.43
Borrowings (Other than debt secuities)	290.00	-	-	290.00
Other financial liabilities	-	-	0.09	0.09
Total	**311.43**	**-**	**0.09**	**311.52**

Note:
For all of the Company's assets and liabilities which are not carried at fair value, disclosure of fair value is not required as the carrying amounts approximates the fair values.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

40 Financial risk management

The Company's principal financial liabilities majorly comprise of borrowings from banks, debentures and trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loan and advances, cash and cash equivalents that derive directly from its operations.

The Company's activities expose it to a variety of financial risks, as listed below apart from various operating and business risks.
Market risk;
Credit risk; and
Liquidity risk
This note explains the sources of risks arising from financial instruments which the entity is exposed to and how the Company manages the risk.

Risk management framework

The Company’s board of directors and risk council has overall responsibility for the establishment and oversight of the Company’s risk management framework. The board of directors and risk management council along with the top management are responsible for developing and monitoring the Company’s risk management policies.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company’s risk management council oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Company’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(i) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices which will affect the Companies income or the value of holdings of financial instruments. The company does not have exposure to currency risk and security price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising

Interest rate risk

Interest rate risk primarily arises from borrowings with variable rates. The company’s borrowings are carried at amortised cost. The borrowings with fixed rates are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The interest rate profile of the Company's interest bearing financial instruments is as follows:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Fixed rate instruments			
Financial assets	4,143.67	3,162.92	987.75
Financial liabilities	-	697.73	290.00
	4,143.67	**3,860.65**	**1,277.75**
Variable rate instruments			
Financial assets	-	-	-
Financial liabilities	3,320.97	1,096.51	-
	3,320.97	**1,096.51**	**-**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

40 Financial risk management (Continued)

Cash flow sensitivity analysis for variable-rate instruments:

	Profit / loss		Equity, net of tax	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31-Mar-19				
Variable-rate instruments	(25.85)	25.85	(19.13)	19.13
Cash flow sensitivity (net)	**(25.85)**	**25.85**	**(19.13)**	**19.13**
31-Mar-18				
Variable-rate instruments	(10.07)	10.07	(7.27)	7.27
Cash flow sensitivity (net)	**(10.07)**	**10.07**	**(7.27)**	**7.27**

(ii) Credit risk

Loans and advances

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. The company has Credit policy approved by the Board of Directors, which is subject to annual review. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions, as defined in the Credit policy. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The disclosure of maximum exposure to credit risk without taking into account any collateral held or other credit enhancements has not been provided for financial assets, as their carrying amount best represent the maximum exposure to credit risk. All the loans provided are secured against mortgage of land and/or building. The fair value of the collateral is determined on the guidelines prescribed in the collateral management policy as approved by the Board of Directors.

Impairment assessment - Expected credit loss ("ECL"):

An impairment analysis is performed at each reporting date based on the facts and circumstances existing on that date to identify expected losses on account of time value of money and credit risk. For the purposes of this analysis, the loan receivables are categorised into groups based on days past due. Each group is then assessed for impairment using the Expected Credit Loss (ECL) model as per the provisions of Ind AS 109 - financial instruments. The Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

a. Marginal probability of default ("MPD")
b. Loss given default ("LGD")
c. Exposure at default ("EAD")
d. Discount factor ("D")

Marginal probability of default:

PD is defined as the probability of whether borrowers will default on their obligations in the future. Historical PD is derived from the internal data which is calibrated with forward looking macroeconomic factors.

For computation of probability of default ("PD"), Vaseick Model was used to forecast the PD term structure over lifetime of loans. As per given long term PD and current macroeconomic conditions, conditional PD corresponding to current macroeconomic condition is estimated. The Company has worked out PD based on historical data.

Marginal probability:

The PDs derived from the model, are the cumulative PDs, stating that the borrower can default in any of the given years, however to compute the loss for any given year, these cumulative PDs have to be converted to marginal PDs. Marginal PDs is probability that the obligor will default in a given year, conditional on it having survived till the end of the previous year.

Conditional marginal probability:

As per Ind AS 109, expected loss has to be calculated as an unbiased and probability-weighted amount for multiple scenarios.
The probability of default was calculated for 3 scenarios: best , worst and base. This weightage has been decided on best practices and expert judgement. Marginal conditional probability was calculated for all 3 possible scenarios and one conditional PD was arrived as conditional weighted probability.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

40 Financial risk management (Continued)

Staging of loans:

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the loan has remained overdue for a period greater than 90 days.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the loan becomes less than 90 days past due on its contractual obligations. Such cured loans are classified as Stage 1 or 2 depending upon the days past due after such cure has taken place.

As per Ind AS 109, Company assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Company has staged the assets based on the Day past dues criteria and other market factors which significantly impacts the portfolio.

Days past dues status	Stage	Provisions
Current	Stage 1	12 Months Provision
1-30 Days	Stage 1	12 Months Provision
31-90 Days	Stage 2	Lifetime Provision
90+ Days	Stage 3	Lifetime Provision

Company's internal rating and PD estimation process

The Company's independent Credit Risk Department operates its internal rating models, in which customers are rated from Low to High using internal grades. The models incorporate both qualitative and quantitative information in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of models.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Company segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the Ind AS 109 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

Under Ind AS 109, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI Ind AS 109 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Discounting:

As per Ind AS 109, ECL is computed by estimating the timing of the expected credit shortfalls associated with the defaults and discounting them using effective interest rate.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers the credit risk to be directly proportional to the delinquency status i.e. days past due of the loan under consideration. No further adjustments are made in the PD. When estimating ECLs on a collective basis for a group of similar assets the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on a collective basis

The Company calculates ECL on a collective basis for all asset classes.

The Company combines these exposure into smaller homogeneous portfolios, based on the characteristics of the loans, as described below:

Geographic location
Loan type
Ticket size

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

40 Financial risk management (Continued)

ECL computation:

Conditional ECL at DPD pool level was computed with the following method:
Conditional ECL for year (yt) = EAD (yt) * conditional PD (yt) * LGD (yt) * discount factor (yt)

The calculation is based on provision matrix which considers actual historical data adjusted appropriately for the future expectations and probabilities. Proportion of expected credit loss provided for across the stage is summarised below:

	Provisions	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Stage 1	12 month provision	0.41%	0.60%	0.55%
Stage 2	Life time provision	11.94%	6.5%	-
Stage 3	Life time provision	30.77%	7.5%	-

The loss rates are based on actual credit loss experience over past years. These loss rates are then adjusted appropriately to reflect differences between current and historical economic conditions and the Company's view of economic conditions over the expected lives of the loan receivables. Movement in provision of expected credit loss has been provided in below note.

Analysis of changes in the gross carrying amount and the corresponding ECL allowances:

Particulars	31-Mar-19				31-Mar-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**2,499.87**	**282.60**	**14.91**	**2,797.38**	**993.18**	**-**	**-**	**993.18**
Asset derecognised or repaid	(363.95)	(43.14)	-	(407.09)	(122.12)	-	-	(122.12)
Assets partially repaid	(71.02)	(8.73)	-	(79.75)	(13.70)	(0.80)	-	(14.50)
Roll forwards to higher stages	(275.72)	(32.95)	-	(308.67)	(152.52)	-	-	(152.52)
Roll forward from lower stages	-	266.57	42.10	308.67	-	139.69	12.83	152.52
Roll back from higher stages	-	(88.67)	-	(88.67)	-	-	-	-
Roll back to lower stages	88.67	-	-	88.67	-	-	-	-
New assets originated/ tranche disbursals	1,520.23	97.37	3.63	1,621.23	1,795.03	143.71	2.08	1,940.82
Gross carrying amount closing balance	**3,398.08**	**473.05**	**60.64**	**3,931.77**	**2,499.87**	**282.60**	**14.91**	**2,797.38**

Reconciliation of ECL balance is given below:

Particulars	31-Mar-19				31-Mar-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening	**14.91**	**18.43**	**1.12**	**34.46**	**5.43**	**-**	**-**	**5.43**
Addition during the year	1.24	40.84	17.54	59.62	10.15	18.43	1.12	29.70
Reversal / Utilization during the year	(2.17)	(2.81)	-	(4.98)	(0.67)	-	-	(0.67)
Closing provision of ECL	**13.98**	**56.46**	**18.66**	**89.10**	**14.91**	**18.43**	**1.12**	**34.46**

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3.6 Summary of significant accounting policies. ECL on financial assets is an unbiased probability weighted amount based out of possible outcomes after considering risk of credit loss even if probability is low. ECL is calculated based on the following components:

The following tables outline the impact of multiple scenarios on the allowance based on macro-economic factors considered:

ECL Scenario	As at March 31, 2019	As at March 31, 2018
Best case	81.05	29.31
Base case	88.02	33.80
Worst case	96.59	39.17

40 Financial risk management (Continued)

Analysis of credit concentration risks

The Company's concentrations of risk are managed by counterparty and geography. The maximum credit exposure to any individual client or counterparty as of March 31, 2019 was INR 45.10 Lakhs (March 31, 2018: INR 47.38 Lakhs).

The following table shows the risk concentration of loan portfolio by geography.

Geography	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Tamil Nadu	3850.64	2716.83	916.21
Karnataka	81.13	80.55	76.97
	3931.77	**2797.38**	**993.18**

Cash and bank balances

The Company held cash and cash equivalents with credit worthy banks and financial institutions as at the reporting dates which has been measured on the 12-month expected loss basis. The credit worthiness of such banks and financial institutions are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

Other financial assets

This balance is primarily constituted by security deposits and advance to employees. The Company does not expect any losses from non-

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company is bound to comply with the Asset Liability Management guidelines issued by Reserve Bank of India. The company has Asset Liability Management policy approved by the board and has constituted Asset Liability Committee to oversee the liquidity risk management function of the company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from operations.
The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. In addition, the Company maintains the following undrawn borrowing facilities :

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Term loans	-	1,500.00	700.00
Total	**-**	**1,500.00**	**700.00**

Exposure to liquidity risk

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2019:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Payables	11.30	11.30	-	-	-
Borrowings (Other than Debt Securities)	3,320.97	1,278.82	1,082.36	959.79	-
Other financial liabilities	7.45	7.45	-	-	-
Total	**3,328.42**	**1,286.28**	**1,082.36**	**959.79**	**-**
Financial Assets					
Cash and cash equivalents	968.19	968.19	-	-	-
Loans	3,842.67	309.87	291.43	1,061.29	2,180.08
Other Financial assets	7.09	7.09	-	-	-
Total	**4,817.95**	**1,285.15**	**291.43**	**1,061.29**	**2,180.08**

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

40 Financial risk management (Continued)

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2018:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Payables	25.13	25.13	-	-	-
Borrowings (Other than Debt Securities)	1,794.24	1,495.08	199.27	99.88	-
Total	**1,819.37**	**1,520.21**	**199.27**	**99.88**	**-**
Financial Assets					
Cash and cash equivalents	494.83	494.83	-	-	-
Loans	2,762.92	273.15	152.32	612.50	1,725.95
Other Financial assets	2.36	2.36	-	-	-
Total	**3,260.11**	**770.34**	**152.32**	**612.50**	**1,725.95**

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at April 1, 2017:

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Payables	21.43	21.43	-	-	-
Borrowings (Other than Debt Securities)	290.00	290.00	-	-	-
Other financial liabilities	0.09	0.09	-	-	-
Total	**311.52**	**311.52**	**-**	**-**	**-**
Financial Assets					
Cash and cash equivalents	427.10	427.10	-	-	-
Loans	987.75	49.03	115.73	168.54	654.45
Investments	443.41	443.41	-	-	-
Other Financial assets	2.19	2.19	-	-	-
Total	**1,860.45**	**921.73**	**115.73**	**168.54**	**654.45**

The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within a year equal their carrying amounts as impact of discounting is not significant. The borrowings and debt securities carry covenants, a future breach of same may require the company to repay the liability earlier than indicated in the above table.

41 Explanation of transition to Ind AS

As stated in Note 2, these are the Company's first financial statements prepared in accordance with Ind AS. For the year ended March 31, 2018, the Company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2014 (as amended), notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 3 have been applied in preparing these financial statements for the year ended March 31, 2019 including the comparative information for the year ended March 31, 2018 and the opening Ind AS balance sheet on the date of transition i.e. April 1, 2017.

In preparing its Ind AS balance sheet as at April 1, 2017 and in presenting the comparative information for the year ended March 31, 2018, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

Optional exemptions availed and mandatory exceptions

In preparing these financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

i. Deemed cost for Property plant and equipment and Intangible assets

As per Ind AS 101 an entity may elect to:

(i) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date

(ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:
− fair value;
− or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.
The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).
(iii) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment.

41 Explanation of transition to Ind AS (Continued)

B. Mandatory exceptions

i. Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Impairment of financial assets based on the expected credit loss model.

ii. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortized cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition.

iii. Impairment of financial assets

The Company being a Hosuing Finance Company is required to assess the impairment of financial assets based upon the new model i.e. ECL instead of rule based guidance (NHB Prudential Norms) as prevailed under previous GAAP.

Accordingly, the Company has applied the impairment requirement of Ind-AS 109 on all financial assets recognised as per Ind-AS 109 retrospectively except:
1. The Company has sought to approximate the credit risk on initial recognition by considering all reasonable and supportable information that is available without undue cost or effort.
2. The Company has determined whether the financial asset is having low credit risk, as specified in Ind-AS 109, and whether there is a significant increase in credit risk since initial recognition of financial assets by applying rebuttable presumption of 30 days past due.
3. If the Company is unable to determine whether there is a significant increase in credit risk since initial recognition of a financial asset, without involving undue cost or effort, the Company shall recognise a loss amount equal to life time expected losses at each reporting date till the financial asset is derecognised.

Accordingly, the Company has developed ECL model for testing of impairment of loans and advances.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

41 Explanation of transition to Ind AS (Continued)

Reconciliation of equity

		As at the date of transition April 1, 2017			As at March 31, 2018		
	Note	**Previous GAAP***	**Adjustments on transition**	**Ind AS**	**Previous GAAP***	**Adjustments on transition**	**Ind AS**
Assets							
Financial Assets							
Cash and cash equivalents		427.10	-	427.10	494.82	0.01	494.83
Loans	A, B, E	1,013.27	(25.51)	987.75	2,837.65	(74.73)	2,762.92
Investments	C	434.31	9.10	443.41	-	-	-
Other financial assets		2.19	-	2.19	2.36	-	2.36
		1,876.86	(16.41)	1,860.45	3,334.83	(74.72)	3,260.11
Non - financial assets							
Current tax assets (net)		8.29	-	8.29	20.65	-	20.65
Deferred tax assets (net)	G	1.69	1.74	3.43	9.07	19.19	28.26
Property, plant and equipment		0.19	-	0.19	0.07	-	0.07
Other non - financial assets		12.28	-	12.28	6.82	-	6.82
		22.45	1.74	24.19	36.62	19.19	55.80
Total		**1,899.31**	**(14.67)**	**1,884.64**	**3,371.46**	**(55.55)**	**3,315.91**
LIABILITIES AND EQUITY							
Financial Liablities							
Payables							
Trade payables							
-total outstanding dues of micro and small enterprises		-		-	-		-
-total outstanding dues of creditors other than micro and small enterprises		21.43	-	21.43	25.14	0.01	25.13
Borrowings (other than debt securities)	D	300.00	10.00	290.00	1,800.00	5.76	1,794.24
Other financial liabilities		0.09	-	0.09	-	-	-
		321.52	10.00	311.52	1,825.14	5.77	1,819.37
Non-financial liablities							
Current tax liabilities (Net)		-	-	-	-	-	-
Provisions		2.09	-	2.09	4.29	-	4.29
Other non-financial liabilities		20.27	-	20.27	21.26	-	21.26
		22.36	-	22.36	25.55	-	25.55
Equity							
Equity share capital		1,500.00	-	1,500.00	1,500.00	-	1,500.00
Other equity		55.43	4.67	50.76	20.77	49.77	(29.01)
		1,555.43	4.67	1,550.76	1,520.77	49.77	1,470.99
		1,899.31	**14.67**	**1,884.64**	**3,371.46**	**55.55**	**3,315.91**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

41 Explanation of transition to Ind AS (Continued)

Total equity (shareholder's funds) as per previous GAAP	Note	As at April 1, 2017	As at March 31, 2018
Total equity (shareholder's funds) as per previous GAAP		**1,555.43**	**1,520.77**
Impact of recognition of processing fee Income under effective interest rate	A	(24.16)	(60.38)
Recognition of suspended interest income	B	-	2.27
Impact of fair valuation of investments	C	9.10	-
Impact of recognition of processing fee on borrowings under effective interest rate	D	10.00	5.76
Impact of application of Expected Credit Loss method for impairment allowance	E	(1.35)	(16.62)
Tax Impact on above adjustments		1.74	19.19
Adjustment to retained earnings		**(4.67)**	**(49.78)**
Total equity (shareholder's funds) as per Ind AS		**1,550.76**	**1,470.99**

Reconciliation of total comprehensive income for the year ended March 31, 2018

	Note	Year ended March 31, 2018		
		Previous GAAP*	**Adjustments on transition**	**Ind AS**
Revenue from operations				
Interest Income	A, B	341.85	(33.95)	307.90
Fees and Commission Income		40.33	-	40.33
Net gain on fair value changes	C	95.09	(9.10)	85.99
Total revenue from operations		**477.26**	**(43.05)**	**434.22**
Other income		0.01	-	0.01
		477.26	**(43.05)**	**434.23**
Expenses				
Finance Costs	D	222.80	4.24	227.04
Impairment on financial instruments	E	13.77	15.27	29.04
Employee Benefits Expenses	F	164.52	(0.82)	163.70
Depreciation, amortization and impairment		0.12	-	0.12
Other expenses		118.11	-	118.11
Total expenses		**519.31**	**18.69**	**538.01**
Profit before tax		**(42.05)**	**(61.74)**	**(103.78)**
Tax expense				
Current tax		-	-	-
Deferred tax	**G**	(7.39)	(17.22)	(24.60)
		(7.39)	(17.22)	(24.60)
Profit for the period		(34.66)	(44.52)	(79.18)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)	F	-	0.82	0.82
Income tax relating to items that will not be reclassified to profit or loss	F	-	(0.24)	(0.23)
Net other comprehensive income not to be reclassified subsequently to profit or loss			0.59	0.59
Other comprehensive income for the year, net of income tax		-	0.59	0.59
Total comprehensive income, net of income tax		(34.66)	(45.11)	(79.77)

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

41 Explanation of transition to Ind AS (Continued)

Notes to the reconciliations

A Impact of recognition of processing fee income under effective interest rate

On transition to Ind AS, the Company has recognised processing fee income under effective interest rate as required by Ind AS 109. Consequently, Unamortised processing fee has been recognised with corresponding impact in retained earnings on the date of transition and for the year ended March 31, 2018

Loans at amortised cost

Based on Ind AS 109, financial assets in the form of loans have been accounted at amortised cost using effective interest rate method and accordingly, upfront fee and transaction costs have been recognised using the effective interest rate method and recorded under interest income in the statement of profit and loss account and unamortised portion netted off against the loans. Under previous GAAP, upfront fee collected from customers was recognised in the income statement on a upfront basis and disclosed under other operating income.

B Recognition of suspended interest income (net)

On transition to Ind AS, the Company has recognised impairment loss on loans measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, the suspended interest income pertaining to stage 3 assets, which was hitherto derecognised under previous GAAP have been added to the loan assets with a corresponding increase in retained earnings on the date of transition.

C Impact of fair valuation of investments

Under previous GAAP, investments are measured at lower of cost of market Value. Under Ind AS, these financial assets have been classified as Fair Value Through Profit or Loss (FVTPL) . On the date of transition to Ind AS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP. The investment has been accounted at increased carrying amount with corresponding impact in retained earnings on the date of transition.

D Impact of recognition of processing fee on borrowings under effective interest rate

On transition to Ind AS, the Company has recognised the processing fee paid on borrowings under effective interest rate as required by Ind AS 109. Consequently, unamortised processing fee has been recognised with corresponding impact in retained earnings on the date of transition and for the year ended March 31, 2018 and unamortised portion being netted off against the borrowings.

Borrowings at amortised cost

Based on Ind AS 109, financial liabilities in the form of borrowings have been accounted at amortised cost using effective interest rate method. Accordingly, upfront transaction costs have been included in the effective interest rate computations and disclosed as interest cost in the statement of profit and loss. Under previous GAAP, these costs were charged to the statement of profit and loss upon incurrence of the

E Impact of application of Expected Credit Loss method for impairment allowance on loans

On transition to Ind AS, the Company has recognised impairment loss on loans measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, loans have been adjusted with a corresponding decrease in retained earnings on the date of transition and there has been incremental provision for the year ended March 31, 2018. The provision for standard assets and provision for non-performing assets were disclosed as provisions in the previous GAAP. Under Ind AS, the expected credit loss has been disclosed as a deduction from loans to customers.

The impact arising from the change is summarized as follows:

	Year ended March 31, 2018
Statement of profit and loss	
Impact of application of Expected Credit Loss method for impairment allowance on loans	(15.27)
Adjustment before income tax	**(15.27)**

	April 1, 2017	March 31, 2018
Balance sheet		
Impact on application of Expected Credit Loss method	(1.35)	(16.62)
Adjustment to retained earnings	(1.35)	(16.62)
Adjustment to Statement of profit and loss		(15.27)

41 Explanation of transition to Ind AS (Continued)

Notes to the reconciliations (Continued)

F Remeasurement of defined benefit liability / asset

Under the previous GAAP, actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability was forming part of the profit or loss for the year. However under Ind AS, such actuarial gains and losses are recognised in other comprehensive income. However, there is no major change on the total comprehensive income and total equity as at April 1, 2017 and March 31, 2018.

Other comprehensive income

Under previous GAAP,the Company did not present other comprehensive income (OCI) separately. Hence, it has reconciled previous GAAP profit or loss to profit or profit or loss as per IndAS. Further, previous GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

G Deferred tax

Previous GAAP requires deferred tax accounting using the profit and loss approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences arising on account of transition adjustments. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

42 Previous year figures

Prior year figures have been reclassified / regrouped wherever necessary to conform to the current year's classification / disclosure. Previous year financial statements have been audited by a firm other than B S R & Co. LLP.

As per our report of even date
for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

For and on behalf of the Board of Directors of
Five-Star Housing Finance Private Limited
CIN : U74900TN2015PTC102366

Naveen Raj R
Partner
Membership No: 217772

D Lakshmipathy
Chairman and Managing Director
DIN No : 01723269

B.Hari Babu
Director
DIN No : 01509249

G Srikanth
Chief Financial Officer

B Shalini
Company Secretary
ACS : A51334

Place : Chennai
Date : May 14, 2019

Place : Chennai
Date : May 14, 2019