FIVE STAR
Business Finance Limited

GROWING RESPONSIBLY

Nurturing Progress For Everyone

ANNUAL REPORT 2018 - 2019

Trees, in general, symbolise growth. One of the primary and most important factors which determine their growth is their tenacity i.e. their ability to grow despite the occasional turbulence in the environment.

It is a scientifically accepted fact that some trees can withstand onslaughts like cyclones, hurricanes et al. much better than others. There are species of trees that are wind resilient, resistant and tolerant so that they can withstand heavy winds and rains and adapt to climatic changes. They stand firm even during heavy winds and rains, while others around them fall like ninepins.

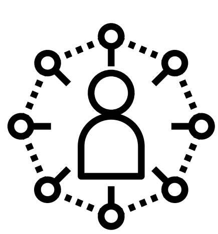
What gave these trees such immense confidence to remain tenacious in the face of every onslaught? Is it just the size of the trees? Is it just the age of the trees? No. The most important factors that help trees tide over all these challenges are the strength of their roots, and their adaptability to conditions. We have all seen huge trees fall during hurricanes and cyclones, but it is also an observed fact that some trees, noticeably smaller than many others, not just withstand these challenges but continue to grow despite such challenges.

In this respect, a corporate institution resembles a tree very closely. The qualities that lend strength and resolve to a tree also give immense strength and steadfastness to an organisation. Size is important; vintage is important; but more important are certain fundamental qualities that form the bedrock of an institution's existence and growth.

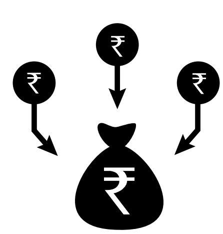
Five Star is one such tree that has managed to withstand all the challenges that the environment has thrown at it and has continued to grow and thrive in a responsible manner. It may not be as large an organisation as others, many of whom, unfortunately, are adversely impacted and fighting even for survival today. But Five Star, as an institution, is deep rooted and well entrenched and has qualities that have helped the institution endure and learn to ensure that it continues its royal march on the path of growth.

What are these qualities that have helped the company resist every onslaught, which adversely impacted some of the larger companies as well?

Right Business Model



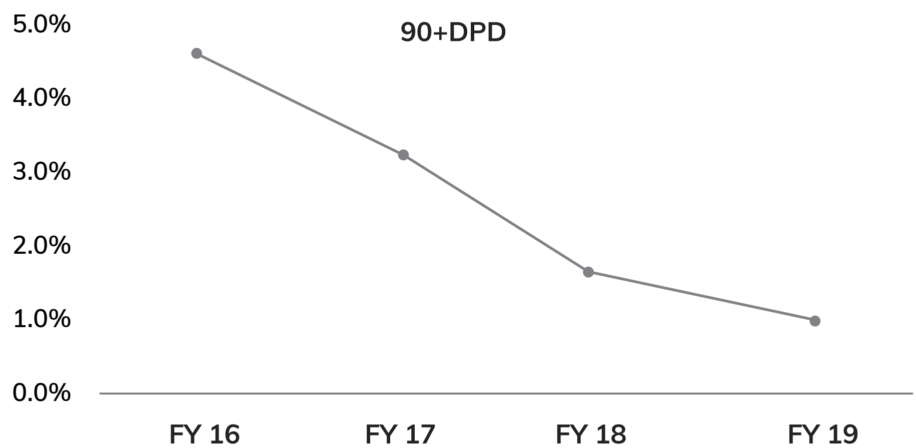
Right Capital Structure



Right Asset Liability Match

Right Business Model

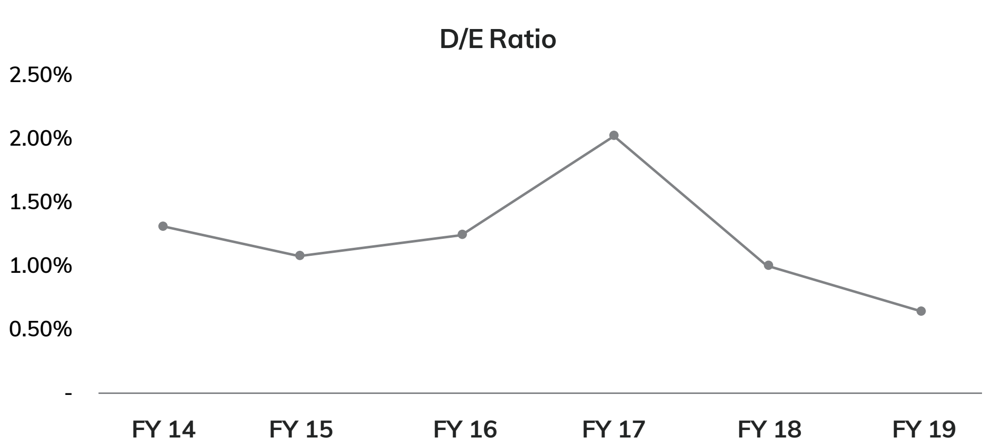
The first ingredient of a resilient institution is its right business model, which can help the institution grow not just in prosperous times but also in times of adversity. The business model of Five Star has been perfected over years of learning. The company follows a business model, where lending to potential borrowers is secured by the twin factors of strong business income and emotionally attached property. The income of the borrower secures the loan during good times while the property mortgaged secures the loan during difficult times. The right combination of income and property has helped and continues to help the company maintain its asset quality even during difficult times like demonetization, implementation of GST, recent liquidity challenges etc. The graph below shows the consistent drop in the 90+ DPD over the last 3 years, which stands testimony to the strength of the business model.



Right Capital Structure

The next important aspect of a robust and resilient organisation is the presence of the right capital structure, which is a judicious mix of equity and debt. Both equity and debt bring with it, its own advantages and disadvantages. It is up to the decision makers of the institution to ensure the right mix so that the advantages offered by both can be properly leveraged.

Five Star had decided, many years back, that the company would have manageable leverage, leading to a healthy D/E ratio. Despite regulatory guidelines allowing for a much higher cap, the company never crossed 3.5 – 4x of leverage, which gives a lot of comfort to lenders. This was achieved by periodic equity infusions from promoters and marquee private equity investors into the company, which also resulted in enhanced shareholder value.

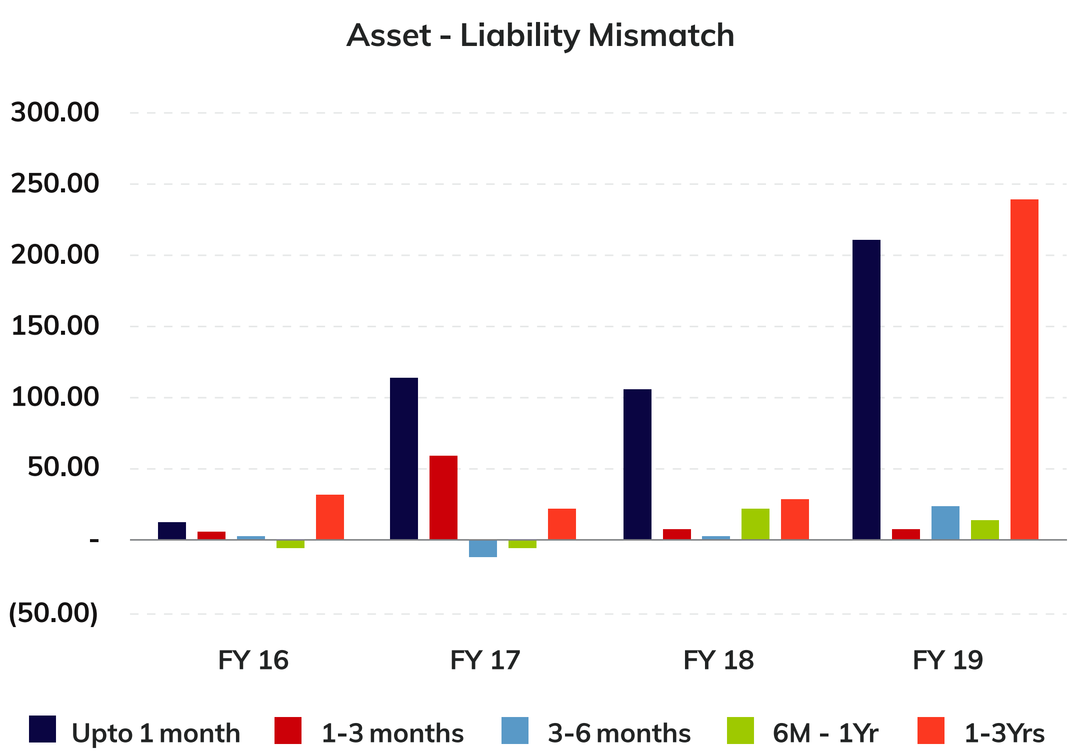


Having the right capital structure helps not just from a liquidity perspective, but it also helps to balance the needs of the both the equity and debt investors. While a low leverage reinforces the confidence of the lenders, it would not be acceptable to the equity investors since their return gets impacted. Having a high leverage is advantageous to equity investors but it would not be acceptable to lenders. Five Star has been able to have a debt-equity ratio which is acceptable to both these major stakeholders which has allowed the institution to grow not just prosperously but also responsibly.

Right Asset – Liability Match

One of the certain recipes to disaster is to indulge in "missing the wood for the trees" where the decision makers in organizations tend to miss the larger picture due to their short-sightedness. This was very evident when large institutions did not give importance to critical aspects like Asset-Liability mismatch but chose to focus on short-term profitability and sourced cheaper funds, which obviously were for shorter tenures. The belief was that such funds would tend to get rolled over indefinitely thereby leaving the organisation insulated from any shocks. The market has proven how wrong they have been, and such institutions have been going through unending pain over the last year when the liquidity conditions worsened drastically.

Five Star, despite its relatively smaller size and profitability, has been focusing on such critical aspects for the last many years. Ensuring robust ALM has always been one of the fundamental tenets of the company. The borrowings were in line with the tenure of the underlying assets, even though they came in at a premium due to the longer tenure. The Company chose not to take any short cuts, rather focus on the long-term picture, which has stood the company in good stead even during adverse liquidity conditions.



As can be seen from the table above, the company has always been on the positive side of ALM over the last 4 years, barring minor aberrations (that too only at an individual bucket level), which were anyway well addressed when the cumulative mismatches were considered. This did come at a cost in the form of higher cost of funds, however the company was fully cognizant that such short-term pains were necessary to create a longstanding institution.

These are the major ingredients that the Company attached significant importance to, which have helped the company stand in good stead under both favourable and unfavourable conditions. However, these alone would not have made Five Star what it is today. it is imperative that a good team is required to ensure that these tenets are adhered to without compromise. Five Star recognised this even when the company was relatively small and set out to recruit the right talent to bring in a team of professionals with relevant expertise and experience, who would be the linchpins around which the three factors of right business model, right capital structure and right asset-liability match would revolve. Along with employing the right field resources to manage the business and collections, the company also instituted a strong support infrastructure at the regional offices and the head office, all of whom, guided in the right direction by the strong management team, have helped the company go from strength to strength.

On account of all these factors, the tree that Five Star is, stands tall and strong, well poised for responsible growth in the years to come.

To be wise, one needs to think and act, and not act and then think. “Growing Responsibly” is a theme that echoes thinking followed by acting, a theme that Five Star has embraced and will continue to embrace. We think - and think long - before putting our thoughts into action, but once our thoughts have been translated into action, there is no looking back. Just like the roots that give strength to the tree, our thoughts and consequent actions make us strong. Responsibility followed by growth was, is and will always be our mantra.

Contents

Corporate Information

Board of Directors

D Lakshmipathy	A Ramanathan	R Anand
Bhama Krishnamurthy	B Haribabu	L R Raviprasad
Vasan Thirulokchand	Vikram Vaidyanathan	Ling Wei Ong
Arjun Saigal	G V Ravishankar	Gaurav Trehan

Board Observer

Niren Shah

Key Managerial Personnel

K Rangarajan	G Srikanth	B Shalini
Chief Executive Officer	Chief Financial Officer	Company Secretary

Statutory Auditors

B S R & Co. LLP
KRM Tower, 1st and 2nd Floor,
No. 1, Harrington Road, Chetpet,
Chennai - 600031

Internal Auditors

Sundaram & Srinivasan
39-A, G K Flats,
South Boag Road, T Nagar,
Chennai - 600017

Secretarial Auditor

S Sandeep & Associates
F – 20, Gemini Parsn Apts,
448/ 599, Cathderal Garden Road,
Nungambakkam,Chennai – 600006

Registrar and Transfer Agents

NSDL Database Management Limited
4th Floor, Trade World, 'A' Wing, Kamala Mills
Compound, Lower Parel, Mumbai – 400013

Registered Office

New No 27, Old No 4, Taylor's Road,
Kilpauk, Chennai - 600010
CIN: U65991TN1984PLC010844

CHAIRMAN'S MESSAGE

Message from The Chairman & Managing Director

Dear Shareholders,

I am pleased to share with you, the performance update of your company during the financial year 2018-19, a year that saw your company overcome immense challenges to grow in a responsible manner.

The first half of the financial year was a period of comfort and growth for the entire NBFC industry. Being a period of growth, the asset quality seemingly remained intact. Equity and debt capital were available in plenty to NBFCs. It was only when the liquidity challenges broke out towards the end of September 2018 that the cocoon of comfort burst, and every company was put through significant pain. On the positive side, this crisis also served to separate the wheat from the chaff - well-run companies like Five Star found their worth in the minds of industry stakeholders, as is evidenced by the results that the company managed to achieve.

Some of the key business highlights and achievements of your company are listed below:

- ***Disbursed an amount of about 1,500 Crores to about 46,000 borrowers, resulting in an increase in the borrower base from around 34,000 to more than 73,000***
- ***Profit After Tax[1] almost tripled from about INR 53 Crores in FY 2018 to about INR 157 Crores during the year***
- ***Gross NPA of 0.9%; arguably the best portfolio quality achieved among companies operating in this borrower segment***
- ***Achieved a rating upgrade from A- (A Minus) to A (Stable), despite the industry headwinds***
- ***Provided employment to close to 2,000 staff***

While these are the key achievements during the financial year, your Company also strengthened its portfolio in the existing southern geographies along with building a small yet quality portfolio in Central India, which would be the focus area for the forthcoming financial years.

On the debt capital front, your Company availed significant credit sanctions from banks and AMCs, amongst which was a NCD subscription amounting to INR 500 Crores from Franklin Templeton Mutual Fund, who significantly increased their exposure evidencing their confidence in your company. During the year, your Company also transitioned to Indian Accounting Standards (Ind AS), the new accounting methodology, which brought about significant changes to the entire accounting process.

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[1]Under Ind-AS methodology

During the year that went by, your company raised a significant amount of capital amounting to INR 619 Crores, which was led by TPG Capital, one of the largest private equity investors across the globe. To have TPG partner with Five Star was a moment of immense pride for all of us. The equity infusion also saw participation from the existing investors Morgan Stanley, Norwest Venture Partners and Sequoia Capital, which stands testimony to their continuing confidence in your company. This equity infusion helped bolster your company's Networth to 4-digit figures.

The most noteworthy point is that all the achievements mentioned above were achieved against the backdrop of the already mentioned liquidity challenges, which hit the entire industry massively. A few big names across the NBFC and HFC industry went through significant stress, defaulted on payments to their lenders and had questions around their survival. This led to a big dent in the confidence of the lenders leading to a complete liquidity squeeze. Most of the NBFCs revised their business targets downward but I am glad to inform you that your company did not, for a moment, entertain any rethink of the targets that were originally set. We set out to achieve them despite the trying times and emerged successful.

When times become tough, the easy behaviour is to tone down ambitions and flow with the tide, in the interests of safety. A ship in the harbour is most safe during rough weather, but that does not make the ship great. In the same vein, the company that takes calculated risks, will eventually attain greatness. It is important to stay focused and develop resilience to shocks and surprises. This is what "Growing Responsibly" is all about - neither is growth compromised nor is there a compromise on responsibility. The ability to juggle both these in a balanced manner eventually leads to a great institution.

"Growing Responsibly" is one of the most important tenets at Five Star. The phraseology has been coined in such a way that it denotes a continuous journey and not an end point. Neither the growth nor the responsibility stops at any point of time. This is what myself and my entire team live by and we will continue to carry these twin principles in our hearts.

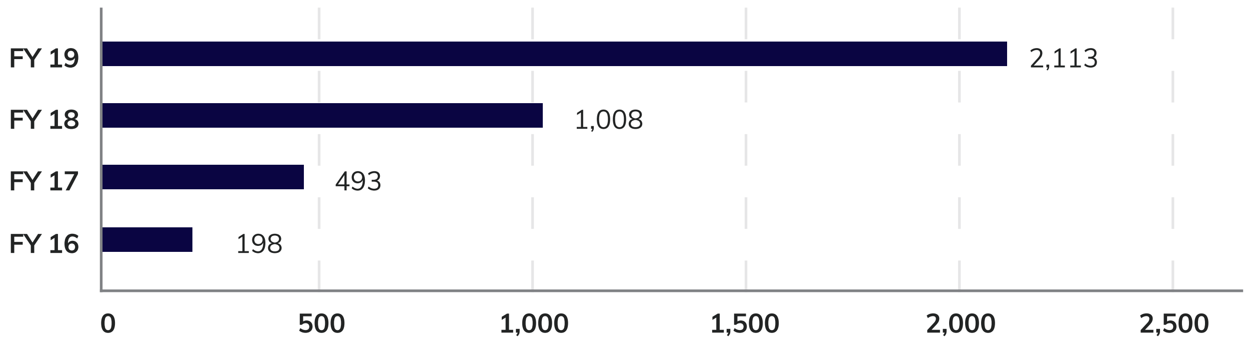
I would be failing in my duty if I do not express my heartfelt thanks to all the stakeholders viz. shareholders, lenders, directors, company employees, auditors and other industry stakeholders like the rating agencies, regulatory bodies whose support has gone a long way towards creating the institution that Five Star is today.

Our aim is to build an everlasting institution which will be respected by all, and which will stand the test of time. With all your good wishes, I am sure, we will.

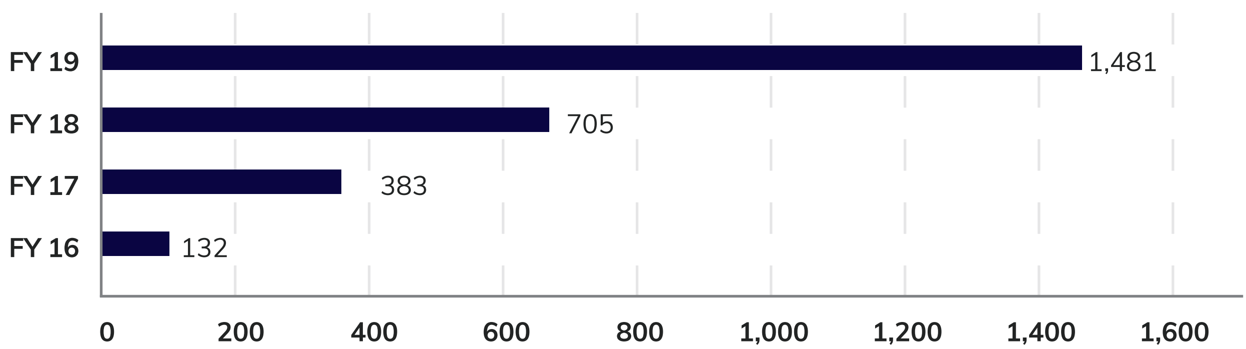
Best Wishes
D Lakshmipathy
Chairman & Managing Director

Business Highlights

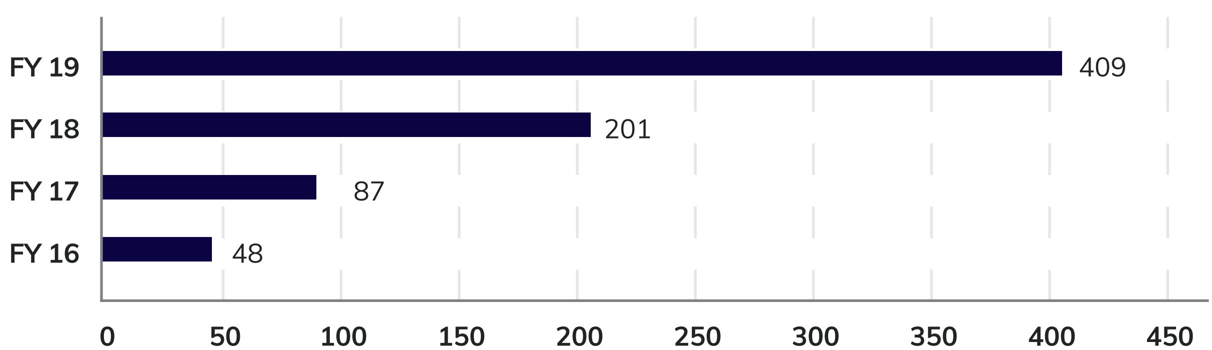
Consolidated AUM



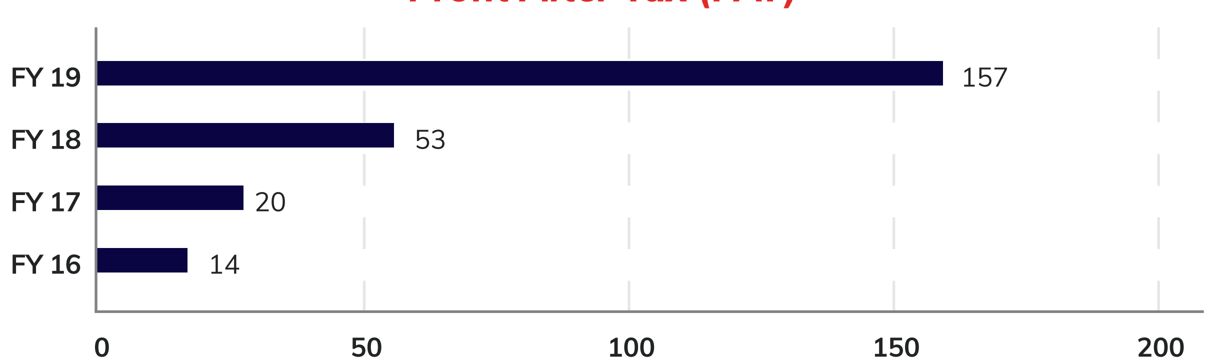
Loan Disbursements



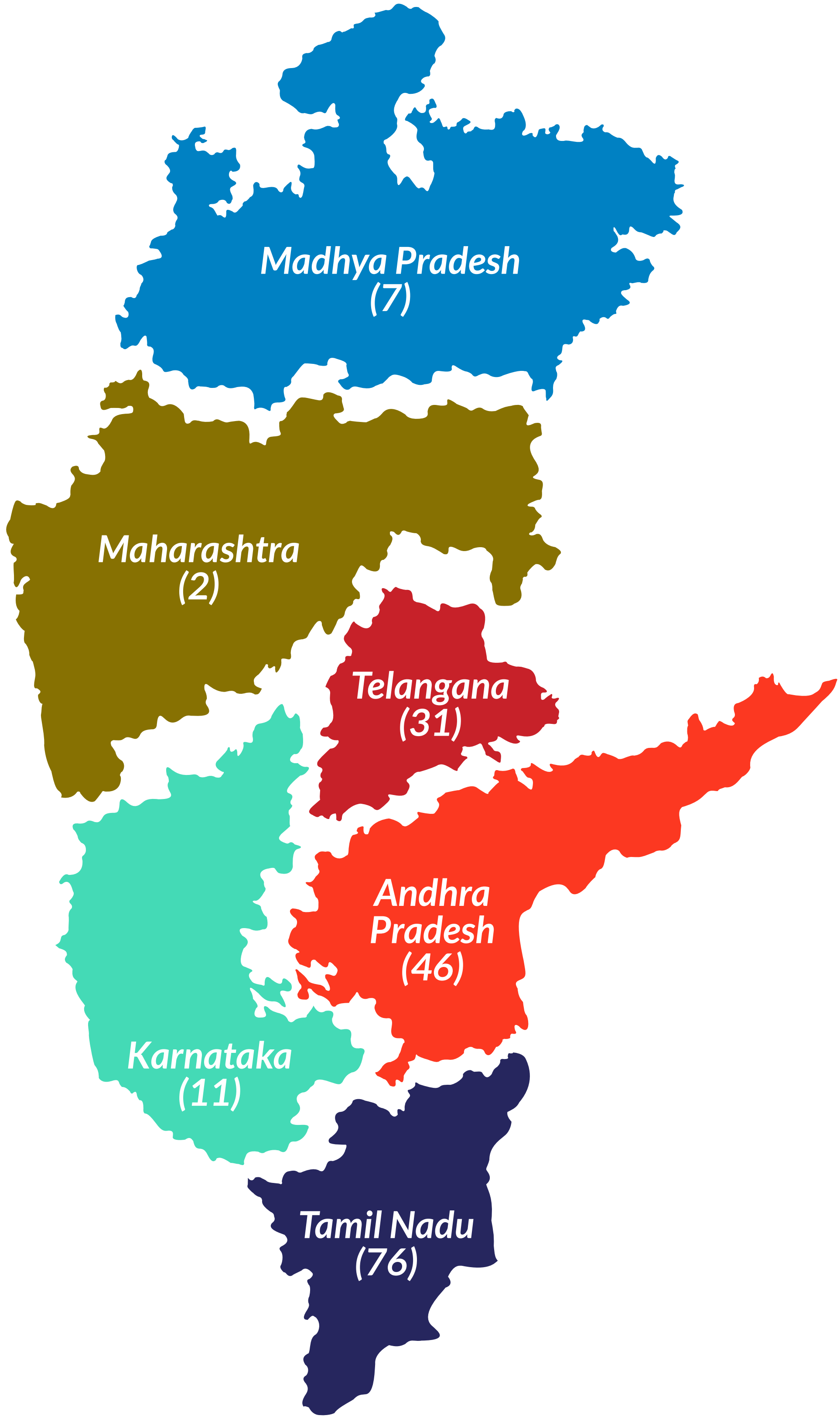
Revenues



Profit After Tax (PAT)



Branches


Madhya Pradesh
(7)
Maharashtra
(2)
Telangana
(31)
Andhra
Pradesh
(46)
Karnataka
(11)
Tamil Nadu
(76)

Lending Relationships

Banks

AU Small Finance Bank
Bandhan Bank
Bank Of Baroda
City Union Bank
Equitas Small Finance Bank
Federal Bank
HDFC Bank
Karnataka Bank
Kotak Mahindra Bank
RBL Bank
SBM Bank (Mauritius)
South Indian Bank
State Bank Of India
Yes Bank

NBFC

AK Capital
Bajaj Finance
Nabkisan Finance
Sundaram Finance
Tata Capital
Vivriti Capital
Cholamandalam Investment & Finance
Hinduja Leyland Finance

NCD

Franklin Templeton MF
FMO
AK Capital
Hinduja Leyland Finance
AU Small Finance Bank
Northern Arc Capital
Northern Arc Investments

BOARD OF DIRECTORS

Board of Directors

D Lakshmipathy – Chairman & Managing Director

He is an Engineering graduate from Madras University and hails from a business family. Before joining Five-Star he was the Executive Director at RKV Finance Limited, which was subsequently amalgamated with Five-Star. In 2002 he joined the Board of Five-Star as Executive Director and his wide exposure in lending to Small Business customers helped him to develop a similar advance portfolio at Five-Star with great success. He is responsible for the more expansive branch presence of the company in the last 9 years, growing from 6 branches in 2009 to about 175 as at March 2019 currently spread across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Maharashtra & Madhya Pradesh and has helped grow the portfolio to over INR 2000 Cr.

A Ramanathan – Independent Director

He is a retired Chief General Manager from NABARD. His expertise lies in institutional development, organisational development, organisational behaviour, small business development, training need assessment, training techniques etc. He has more than 35 years of rich experience in the banking industry.

Bhama Krishnamurthy – Independent Director

She was Country Head and Chief General Manager of SIDBI. She has closely dealt with multilateral and bilateral agencies in close co-ordination with the Government of India. Her areas of specialisation include, inter-alia, handling of the Human Resources Development Division covering recruitment, training and promotion aspects. She was also associated with drafting of CSR Policy guidelines for SIDBI.

R Anand – Independent Director

He is a Chartered Accountant with over 30 years of industry experience. He worked in Sundaram Finance for over 20 years occupying several positions in Finance and Audit. He also worked as a Partner in Ernst & Young LLP covering Tax and Regulatory aspects of various industries like financial services, real estate, auto and auto components, media and entertainment. His specializations include NBFC regulations, corporate tax and foreign investment and exchange control regulation and corporate restructuring.

B Haribabu – Independent Director

He hails from a business family and continues the family business of brick manufacturing. He is also the Founder Trustee of Sri Venkateswara College of Technology, Vadakal Village, Mathur Post, Tamil Nadu. He has been associated with the Company for the last 20 years.

L R Raviprasad – Non-Executive Director

He hails from a business family and continues the family business of brick manufacturing. He has been associated with the Company for the last 15 years.

Vasan Thirulokchand – Non-Executive Director

He is a Hotel Management graduate with over 17 years of experience in the hospitality business. His areas of expertise include team management, customer satisfaction and process optimisation.

Vikram Vaidyanathan – Investor Director, Matrix Partners

He is a Managing Director at Matrix Partners. He is an MBA graduate from IIM Bangalore, and interned at Procter & Gamble, Singapore. He joined McKinsey & Co. after his MBA and worked across a variety of sectors including mobile media, TV, retail, engineering, construction and manufacturing.

Arjun Saigal – Alternate Director to Mr Ling Wei Ong

He is an Executive Director at Morgan Stanley. He joined Morgan Stanley in 2012 and focuses on the group's private equity transactions in India. Prior to joining Morgan Stanley, Arjun was with Baring Private Equity Partners India. He is a graduate of the London School of Economics and received his MBA from Columbia Business School.

G V Ravishankar – Investor Director, Sequoia Capital

He is a Managing Director at Sequoia Capital India. Prior to joining Sequoia, GV has worked at McKinsey in the capacity of an advisor to management teams of top Indian companies. He had also worked at Wipro prior to McKinsey, where he helped several venture-backed networking start-up clients on a wide variety of issues. GV has a Masters in Business Administration from the Indian Institute of Management, Ahmedabad where he was awarded the President's Gold Medal. He also holds a BE in Computer Science and Engineering from REC Trichy.

Gaurav Trehan – Investor Director, TPG Group

Gaurav Trehan is a Partner at TPG Capital based in Mumbai. Since joining TPG in 2004, Gaurav has spent time in TPG's Hong Kong and Mumbai offices and has evaluated and executed private equity transactions in India and Southeast Asia. Prior to joining TPG, he worked in the Mergers, Acquisitions and Restructurings Department of Morgan Stanley in Menlo Park with a focus on the technology sector. Gaurav received a BS in Mathematics, Applied Science and Economics from UCLA.

Niren Shah – Board Observer, Norwest Venture Partners

He is a professional with over 20 years of entrepreneurial, finance, operational and investment banking experience with leading consumer oriented companies and global financial institutions. He has advised Norwest's investments in Cholamandalam Finance, Shriram City and many other banks and other institutions. He had served as the Senior Director of Strategy and Ventures at eBay Inc., KPMG, Bombay Stock Exchange prior to moving with Norwest. Niren is a rank holder Chartered Accountant and a gold medallist Masters in Commerce from University of Mumbai.

DIRECTORS' REPORT

Directors' Report

Your directors' have pleasure in presenting the 35th Annual Report together with the audited financial statements of the company for the financial year ended March 31, 2019.

1. Financial Results

1.1. Standalone Financial Highlights

For the Financial Year ended (₹ in Lakhs)

Particulars	31.03.2019	31.03.2018
Revenue from operations	40,163.48	19,629.08
Other Income	120.03	76.55
Total Expenses	18,484.80	12,140.17
Profit before taxation	21,798.71	7,565.46
Tax Expenses	6,169.03	2,141.31
Profit after taxation	15,629.68	5,424.15
Other comprehensive income	(35.50)	(28.91)
Total comprehensive income	15,594.18	5,395.24

1.2. Consolidated Financial Highlights

For the Financial Year ended (₹ in Lakhs)

Particulars	31.03.2019	31.03.2018
Revenue from operations	40,890.80	20,063.29
Other income	1.86	1.55
Total Expenses	19,048.32	12,603.15
Profit before taxation	21,844.34	7,461.69
Tax Expenses	6,178.61	2,116.72
Profit after taxation	15,665.73	5,344.97
Other comprehensive income	(38.06)	(29.50)
Total comprehensive income	15,627.67	5,315.47

2. State of Company’s Affairs and Future Outlook

As you are aware, your company continued its financing business by concentrating on Small Business Loans and Small Housing Loans which have helped to maintain and improve the financial health and growth of your company.

During the financial year 2018 - 19 your company disbursed Rs 1,481.46 Crores towards providing Small Business Loans and Small Housing Loans as against Rs 705.16 Crores during the previous year.

Prospects

The credit business has large potential in India, particularly from self-employed persons who are the primary customers of your company. Bulk of your company’s customers belongs to this group. Your directors are confident that with the knowledge/experience gained so far in this segment and with the anticipated additional capital and further funds from institutions your company will continue to pursue good and profitable growth in the years to come.

Your Company has already expanded its operations to multiple states and would continue to strive to reach out its operations to more and more under- served customers and help them access credit on reasonable terms by opening more number of branches in the semi urban and rural areas.

RBI Guidelines / Prudential Norms

Your Company is registered with RBI as a category “B” – Company not accepting deposits from Public. Your Company has complied with all applicable regulations and prudential norms of the Reserve Bank of India.

Credit Rating

As of March 31, 2019, your company's bank borrowings enjoy the following ratings from CRISIL, CARE and ICRA.

Rating Agency	Type	Rating
CARE	Long term Bank Facilities	CARE A; Stable
	Non-Convertible Debentures	CARE A; Stable
	Commercial Paper	CARE A1
ICRA	Long term Bank Facilities	ICRA A; Stable
	Non-Convertible Debentures	ICRA A; Stable
CRISIL	Non-Convertible Debentures	CRISIL BBB+; Stable

3. Change in Nature of Business

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

4. Dividend

Your Directors have decided not to declare any dividend for the current year and the profit for the year will be deployed into the business.

5. Transferred to Reserves

Your company has transferred a sum of Rs.3,126 Lakhs to Statutory Reserves as required under the Reserve Bank of India Act, 1934.

6. Changes in Capital Funds

During the financial year 2018-19, your Company has made the following allotments:

a.Allotments made pursuant to the Five-Star Associate Stock Option Scheme, 2015:

S. No.	Date of Allotment	No. of Equity Shares	Face Value ₹	Premium ₹	Subscription amount
1	24th July 2018	8,000	10	120	10,40,000
2	12th September 2018	500	10	75	42,500
3	12th December 2018	1,000	10	120	1,30,000
4	27th December 2018	25,000	10	-	2,50,000
5	8th February 2019	1,600	10	120	2,08,000
6	28th February 2019	7,000	10	120	9,10,000
7	29th March 2019	800	10	120	1,04,000

b. 46,86,828 Equity shares of Rs 10/- each were issued and allotted at a premium of Rs 1,310.72 per share aggregating to Rs 618,99,87,476.16 to the investors of the company on 3rd August 2018 on private placement basis.

c. Allotments of Non-Convertible Debentures (NCD's) issued on private placement basis and subsequently listed on the Bombay Stock Exchange:

S. No.	Date of Allotment	No. of Equity Shares	Face Value ₹	Premium ₹	Subscription amount
1	27th April 2018	650	10,00,000	-	65,00,00,000
2	28th May 2018	650	10,00,000	-	65,00,00,000
3	28th June 2018	650	10,00,000	-	65,00,00,000
4	29th March 2019	550	10,00,000	-	55,00,00,000

MANAGEMENT REPORTS

7. Disclosure regarding issue of Employee Stock Options

Your Company has formulated two Employees Stock Option Schemes, namely Five-Star Associate Stock Option Scheme 2015 (ASOP 2015) and Five-Star Associate Stock Option Scheme 2018 (ASOP 2018). The details of these schemes are given in the **Annexure A** to this report.

8. 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

9. Board & Committees

The details regarding number of meetings of the board and the committees held during the financial year and composition of various committees are furnished in the Corporate Governance Report.

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

During the year under review, the Company has not granted any loans or guarantees or made any investments falling under Section 186 of the Companies Act 2013.

11. Related Party Transactions

The Company has in place a policy on related party transactions as approved by the Board and the same is enclosed as **Annexure C** to this report.

During the financial year, the Company has entered into contracts /arrangement with Related Parties as per Section 188 of the Companies Act, 2013 and the Rules framed thereunder. The same has been disclosed in **Annexure B**.

12. 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.

13. 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.

14. Details of Subsidiary

Five-Star Housing Finance Private Limited is a wholly owned subsidiary of the Company incorporated on 28th September 2015.

The details of investments made in the Wholly Owned Subsidiary are:

Date of Investment	Details of Investee	Amount (in ₹)	Purpose for which the proceeds from investment is proposed to be utilized by the recipient	Date of Board Resolution	Date of Special Resolution	Expected rate of return
17th October 2015	Five-Star Business Finance Limited	Rs 1,00,00,000/- Comprising 10,00,000 of equity shares of Rs 10 each.	Working capital requirements and general corporate purposes	21st August 2015	NA	NA
17th October 2015	Five-Star Business Finance Limited	Rs 14,00,00,000/- comprising of 1,40,00,000 equity shares of Rs 10 each	Working capital requirements and general corporate purposes	21st August 2015	NA	NA

Your Company has not made any investment in its Subsidiary during the financial year.

15. Consolidated Financial Statements
The Consolidated Financial Statements drawn up in accordance with the provisions of section 129 (3) of the Companies Act 2013 and the applicable accounting standards and form part of the Annual Report. A separate statement containing the salient features of the financial statements of the subsidiary in form AOC 1 forms part of the Annual Report.

16. Risk Management Policy
Successful mortgage lending calls for timely identification, careful assessment and effective management of the credit, operational, market (interest-rate and liquidity) and reputation risks. The Company has adopted efficient risk- management policies, systems and processes that seek to strike an appropriate balance between risk and returns.

The Company has also introduced appropriate risk-management measures, such as accessing the applicant's credit history with credit information bureaus, field investigation of the applicant's credentials, multiple verification layers, adoption of prudent loan/value ratio and analysis and adoption of a conservative debt-service capacity of the borrowers, thorough in-house scrutiny of legal documents, monitoring the end-use of approved loans and lending against approved properties.

Asset Liability Committee (ALCO) ensures that the liquidity and interest-rate risks are contained within the limits laid down by the Company. Being dynamic, the risk management framework continues to evolve in line with the emerging risk perceptions.

ALCO reviews the lending policy, interest rate policy and guides the team towards prudent lending practices. The Company has given high importance to prudent lending practices and has put in place suitable measures for risk mitigation.

17. Human Resource Development
The customer acquisition, credit delivery, collection process and manpower strength of Non-Banking Financial Companies operating in similar environment were studied to align our staff strength after duly factoring for the differences in the business models of other entities. Accordingly, the staff strength at the regions and branches were streamlined, keeping in mind our acquisition process and market segment, adding people where required.

This is expected to help your company to focus on right level of productivity and growth. Apart from imparting advanced training to all front line sales and marketing, credit and other staff which included the KYC and FPC training, employees were nominated to various training programs.

Your company has also benchmarked its compensation levels with the market, thus being in a position to attract and retain necessary talent, which is essential for growing the business in the years to come.

18. Directors
a. During the financial year under review, the following changes took place in the composition of the Board of Directors:
(i). Ms Kalpana Iyer, Independent Director resigned with effect from 30th April 2018.

(ii). Mr Gaurav Trehan, nominated by TPG Asia VII SF Pte. Ltd., Investor, was appointed as Additional Director with effect from 3rd August, 2018. He was subsequently appointed as Non-Executive Director liable to retire by rotation at the Annual General Meeting held on 22nd September 2018.

b. Mr Ling Wei Ong, Nominee Director of NHPEA Chocolate Holdings, B. V. and Mr G V Ravishankar, Nominee Director of SCI Investments V are retiring by rotation at the ensuing 35th Annual General Meeting and being eligible have offered themselves for re-appointment.

19. Key Managerial Personnel
Pursuant to the provisions of section 203 of the Act read with the rules made thereunder, the following employees are the whole- time key managerial personnel of the company:
a) Mr. D Lakshmipathy, Chairman and Managing Director
b) Mr. K Rangarajan, Chief Executive Officer
c) Mr. G Srikanth, Chief Financial Officer
d) Ms. Shalini Baskaran, Company Secretary

**Mr. K Rangarajan was appointed as the Chief Executive Officer with effect from 22nd May 2018.*

MANAGEMENT REPORTS

20. Details of Significant & Material Orders passed by Regulators or Courts or Tribunals

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.

21. Internal Financial Controls

The Company has a well-established and adequate internal financial control and risk management framework, with appropriate policies and procedures, to ensure the highest standards of integrity and transparency in its operations and a strong corporate governance structure, while maintaining excellence in services to all its stakeholders. Appropriate controls are in place to ensure: (a) the orderly and efficient conduct of business, including adherence to policies, (b) safe guarding of assets, (c)prevention and detection of frauds/errors, (d) accuracy and completeness of the accounting records and (e) timely preparation of reliable financial information.

This is further strengthened by the Internal Audit done concurrently by in house Internal Audit team and the External Internal Auditors of the Company

Besides, the Company has an Audit Committee, which regularly reviews and monitors systems, internal controls, risk management measures, accounting procedures, financial management and operations of the Company and the reports on findings and recommendations presented by the Internal Auditors.

Internal control framework including clear delegation of authority and standard operating procedures are established and laid out across all businesses and functions. These are reviewed periodically at all levels. The company has a co-sourced model of internal audit. The risk and control matrices are reviewed on a quarterly basis and control measures are tested and documented. These measures have helped in ensuring the adequacy of internal financial controls commensurate with the scale of operations of the company.

22. Auditor's 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.

23. Deposits

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

24. 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.

25. Auditors

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 34th Annual General Meeting (AGM) of the shareholders held on 22nd September 2018, to hold office up to the conclusion of the 35th AGM to be held during calendar year 2019. It is proposed to appoint M/s B S R & Co. LLP for a period of five financial years, i.e. from FY 2019-20 to FY 2023-24 to hold office from the conclusion of the 35th AGM upto the conclusion of the 40th AGM.

Internal Auditor

To carry out internal audit of all its operations, your Company has engaged M/s Sundaram & Srinivasan, Chartered Accountants, as its Internal Auditors. The internal audit covers the Registered office, Corporate Office and branches of the Company. The Audit Committee reviews the internal audit functions, as well as the adequacy and effectiveness of the internal systems and controls.

Secretarial Auditor

Mr S Sandeep from M/s S Sandeep & Associates, Practicing Company Secretaries was appointed to conduct the secretarial audit of the Company for the financial year 2018-19, as required under Section 204 of the Companies Act, 2013 and rules made thereunder.

The secretarial audit report for the financial year ended 31st March 2019 forms part of Annual report as **Annexure D.**

26. Corporate Social Responsibility (CSR)

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has adopted a Policy on CSR and the Policy has been placed in the website of the Company. A report on CSR is attached as **Annexure E** to this Report.

27. Formal Annual Evaluation

As per the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. A structured exercise was carried out based on the criteria for evaluation forming part of the Directors Appointment, Remuneration & Evaluation Policy, including framework for performance evaluation of Directors, Board & Committees, familiarization Programme for Independent Directors Criteria for Evaluation and the inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its committee, attendance at meetings, Board culture, duties of directors, and governance. The aforesaid policy is attached as Annexure F to this report.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its stakeholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors. The Directors have expressed their satisfaction with the evaluation process.

28. Whistle Blower Policy & Vigil Mechanism

Your Company has established a Vigil Mechanism & has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns to the Chairman of the Audit Committee. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company.

29. Corporate Governance Report

A detailed report on Corporate Governance is enclosed and form part of this report as **Annexure G.**

30. Disclosures under Sexual Harassment of Women at Work place (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.

Your Directors further state that during the year under review, no complaints were received.

31. Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, necessary disclosures are provided in the Annual Report as **Annexure H.**

32. Directors' Responsibility Statement

Pursuant to section 134(5) of the companies Act, 2013, the board of directors , confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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;
- 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;
- the directors have prepared the annual accounts on a going concern basis;
- the directors have laid down internal financial controls, which are adequate and are operating effectively;
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.
- they 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

Chennai
14.05.2019

Annexure - A

FIVE-STAR ASSOCIATE STOCK OPTION SCHEME, 2015

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2015 (hereinafter called “FIVE STAR ASOP, 2015” or “The Scheme”) was taken by the Board of Directors at the meeting held on 18th September 2015, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 12th April 2016.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2015 as on 31st March 2019 are:

1. Options approved to be issued as ESOPs:	563,000
2. Options granted:	563,000
3. Options vested:	323,800
4. Options exercised:	232,400
5. The total number of shares arising as a result of exercise of option:	232,400
6. Options lapsed / Surrendered:	NIL
7. Variation of terms of options:	NIL
8. Total number of options in force:	330,600
9. Money realized by exercise of options:	Rs. 372.19 Lakhs

10. Employee wise details of options granted to:
- Key managerial personnel: Mr Rangarajan Krishnan - Chief Executive Officer and Mr G Srikanth –Chief Financial Officer
- Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: NIL
- Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: NIL

FIVE STAR ASSOCIATE STOCK OPTION SCHEME, 2018

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2018 (hereinafter called “FIVE STAR ASOP, 2018” or “The Scheme”) was taken by the Board of Directors at the meeting held on 28th February 2018, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 26th March 2018.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2018 as on 31st March 2019 are:

1. Options approved to be issued as ESOPs: 5,00,000
2. Options granted: NIL
3. Options vested: NIL
4. Options exercised: NIL
5. The total number of shares arising as a result of exercise of option: NIL
6. Options lapsed / Surrendered: NIL
7. Variation of terms of options: NIL
8. Total number of options in force: NIL
9. Money realized by exercise of options: NIL
10. Employee wise details of options granted to:
    - Key managerial personnel: NIL
    - Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: NIL
    - Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: NIL

Annexure - B

FORM NO. AOC-2
(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

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

1. Details of contracts or arrangements or transactions not at arm's length basis: 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 Housing Finance Private Limited, subsidiary 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, enclosed as Annexure C.
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 and on behalf of the Board of Directors
D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Chennai
14.05.2019

Annexure - C

RELATED PARTY TRANSACTION POLICY / ARMS LENGTH POLICY

Five Star Business Finance Limited is a public limited company and is registered as a Non-Banking Finance Company with the RBI. The Company is promoted by Mr. D Lakshmipathy, who also serves as its Chairman and Managing Director. The Company has also set up a wholly owned subsidiary Five-Star Housing Finance Private Limited, which has received the license from National Housing Bank to carry on housing finance operations. There will be transactions between these 2 entities, which will have to be classified as Related Party transactions. The transactions that Five Star Business Finance has with the promoter group (as the promoter is also the Managing Director) would also qualify to be reported as Related Party Transactions.

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, any of the directors, who along with their relatives, hold more than 2% of the share capital and holding or subsidiary companies fall into the category of Related Parties and hence such transactions will have to be disclosed in the books of accounts as RPT.

Related Party Transactions
The following transactions would be disclosed as RPT:
1. Transactions between the company and its directors, who along with their relatives, hold more than 2% of the share capital of the company
2. Investment by the Holding company into the subsidiary
3. Other transactions between the holding company and subsidiary company

In the list above, the transactions between the company and its directors, investment by the holding company into the subsidiary need 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 would utilize the infrastructure of the parent, 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.

During the forthcoming year, a decision has been taken by the group to wind down the subsidiary entity and merge it into the parent. Till the time of actual windup, it has been proposed to use the subsidiary employees to also source, evaluate and approve the loan proposals of the parent. In such a scenario, it becomes necessary to allocate the costs incurred by the subsidiary to the parent, and these would also be treated as Related Party transactions.

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.

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

Annexure - D

FORM NO. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March 2019
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
FIVE-STAR BUSINESS FINANCE LIMITED
New No.27, Old No.4, Taylor's Road,
Kilpauk, Chennai – 600010.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices of M/s. Five-Star Business Finance Limited - CIN: U65991TN1984PLC010844 (hereinafter called "the Company").

The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2019, has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2019 according to the provisions of:

(i). The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii). The provisions of Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder as applicable to the Company;

(iii). The provisions of the Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder as applicable to the Company.

(iv). The provisions of the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder as applicable to the extent of Foreign Direct Investment. The Company does not have any External Commercial Borrowings or other credit facilities or Overseas Direct Investment.

(v). The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act').

- (a). The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b). The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (c). The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (d). The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.

(vi). The Company has materially complied with the following and other laws applicable specifically to the

MANAGEMENT REPORTS

Non Banking Financial Company identified by the Company including:
(a). Reserve Bank of India Act, 1934, and the guidelines carried thereunder;
(b). The Prevention of Money Laundering Act, 2002

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.
The Company has entered into listing agreement(s) with BSE Ltd with respect to the issuance of Non-Convertible Debentures on private placement basis.

During the period under review the Company has complied with the provisions of the applicable Acts, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

We further report that, during the audit period there were no actions / events in pursuance of:
a). The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
b). The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
c). The Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014;
d). The Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009
e). The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance as per the applicable provisions of the Act, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
We further report that, based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of quarterly compliance reports taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes and control mechanism exist in the Company to monitor and ensure compliance with applicable general laws.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were taken unanimously and no dissenting views have been recorded.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that, during the audit period:
a. 650 Secured, Listed, Rated, Redeemable, Taxable, Non-Convertible Debentures of Rs 10,00,000/- each aggregating to Rs 65,00,00,000/- were issued and allotted on private placement basis on 27th April, 2018, and subsequently the same were listed in the Bombay Stock Exchange.

b. 650 Secured, Listed, Rated, Redeemable, Taxable, Non-Convertible Debentures of Rs 10,00,000/- each aggregating to Rs 65,00,00,000/- were issued and allotted on private placement basis on 28th May, 2018, and subsequently the same were listed in the Bombay Stock Exchange.

c. 650 Secured, Listed, Rated, Redeemable, Taxable, Non-Convertible Debentures of Rs 10,00,000/- each aggregating to Rs 65,00,00,000/- were issued and allotted on private placement basis on 28th June, 2018, and subsequently the same were listed in the Bombay Stock Exchange.

d. The Company has allotted 8,000 Equity Shares of Rs.10/- each were issued and allotted at a premium of Rs. 120/- per share aggregating to Rs 10,40,000/- on 24th July 2018 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

e. The Company has amended its Articles of Association by adopting a full set of restated Articles of Association in substitution of the existing Articles at its extraordinary general meeting held on 28th July 2018.

f. 46,86,828 Equity shares of Rs.10/- each were issued and allotted at a premium of Rs. 1,310.72/- per share aggregating to Rs. 618,99,87,476.16 to investors on 3rd August 2018 on private placement basis.

g. The Company has allotted 500 Equity Shares of Rs.10/- each were issued and allotted at a premium of Rs. 75/-per share aggregating to Rs 42,500/- on 12th September 2018 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

h. The Company has allotted 1,000 Equity Shares of Rs.10/- each were issued and allotted at a premium of Rs. 120/- per share aggregating to Rs 1,30,000/- on 12th December 2018 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

i. The Company has allotted 25,000 Equity Shares of Rs.10/- each were issued and allotted at par aggregating to Rs 2,50,000/- on 27th December 2018 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

j. The Company has allotted 1,600 Equity Shares of Rs.10/- each were issued and allotted at a premium of Rs. 120/- per share aggregating to Rs 2,08,000/- on 8th February 2019 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

k. The Company has allotted 7,000 Equity Shares of Rs.10/- each were issued and allotted at a premium of Rs. 120/- per share aggregating to Rs 9,10,000/- on 28th February 2019 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

l. The Company has allotted 800 Equity Shares of Rs.10/- each were issued and allotted at a premium of Rs. 120/- per share aggregating to Rs 1,04,000/- on 29th March 2019 pursuant to the Five-Star Associate Stock Option Scheme, 2015.

m. 550 Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-convertible debentures (NCDs) of Rs 10,00,000/- each aggregating to 55,00,00,000 were issued and allotted on 29th March, 2019 on private placement basis and subsequently the same were listed in the Bombay Stock Exchange.

We further report that, there were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, etc., having a major bearing on the Company's affairs.

For S Sandeep & Associates
S Sandeep
Managing Partner
FCS No. 5853
COP: 5987

Chennai
06.05.2019

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

'Annexure A'

To,
The Members,
FIVE-STAR BUSINESS FINANCE LIMITED
New No.27, Old No.4, Taylor's Road,
Kilpauk, Chennai – 600010.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of accounts of the company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For S Sandeep & Associates
S Sandeep
Managing Partner
FCS No. 5853
COP: 5987

Chennai
06.05.2019

Annexure - E

CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Brief outline of the Company's CSR policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
Five-Star is a growing company and is committed towards social welfare of the common people as it caters the housing needs of self-employed, informal segment of customers, belonging to middle income, primarily from semi urban and rural markets. The Company shall seek to positively impact the lives of the disadvantaged by supporting and engaging in activities that aim to improve their wellbeing.
Your company would be undertaking the CSR activities as listed in Schedule VII and Section 135 of the Companies Act, 2013 and the Rules framed thereunder.
The Company's CSR policy has been uploaded in the website of the Company and the web link to CSR policy is http://www.fivestargroup.in/policies.php

2. Composition of the CSR Committee
1. Mr D Lakshmipathy, Chairman & Managing Director
2. Mr R Anand, Independent Director
3. Ms Bhama Krishnamurthy, Independent Director

The Committee met twice during the financial year on 29th August 2018 and 26th February 2019.

3. Average net profit of the Company for the last three financial years: Rs 4,337.76 lakhs

4. Prescribed CSR expenditure (2% of the average net profit of the last three financial years)
The Company during the financial year 2018-19 is required to spend Rs. 86.76 lakhs towards CSR.

5. Details of CSR spent during the financial year:
a). Total amount spent for the financial year; Rs. 16 lakhs *
b). Amount unspent, if any; Rs. 70.76 lakhs
c). Manner in which the amount spent during the financial year is detailed below:

CSR Project or activity identified	Sector in which the project is covered	Project programs (1) Local area or other (2) Specify the state and district where the projects or programs were undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent directly or through implementing agency
Kerala Chief Minister's Distress Relief Fund (CMDRF)	Relief Fund	Kerala	Rs. 10 lakhs	Direct expenditure - 10 lakhs	Rs. 10 lakhs	Spent directly by the Company
3rd EYE initiated by the Department of Police, Chennai	Public Safety	Local Area – Chennai, Tamil Nadu	Rs. 8 lakhs	Direct expenditure - 6 lakhs	Rs. 16 lakhs	Spent directly by the Company

** Rs.8 lakhs has been allocated to the 3rd Eye project of which Rs. 6 lakhs has been paid as advance during the financial year*

MANAGEMENT REPORTS

6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any thereof, the company shall provide the reasons for not spending the amount in its Board's Report

There was a shortfall in incurring of the CSR expenditure during the year 2018-19 as the management is in the process of identifying suitable projects and programme which can be identified and which would complement the businesses of the Company.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the company

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the company.

Annexure - F

DIRECTOR'S APPOINTMENT AND REMUNERATION POLICY

FIVE-STAR BUSINESS FINANCE LIMITED – DIRECTORS APPOINTMENT, REMUNERATION & EVALUATION POLICY

1. Purpose of this Policy:

Five-Star Business Finance Limited ("Five-Star" or the "Company") has adopted this Policy on appointment, remuneration and evaluation of the Directors, Key Managerial Personnel and Senior Management (the "Policy") as required by the provisions of Section 178 of the Companies Act, 2013 (the "Act").

The purpose of this Policy is to establish and govern the procedure applicable:

a). To evaluate the performance of the members of the Board.

b). To ensure remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

c). To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Company should ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

2. Definitions:

Independent Director means a director referred to in Section 149(6) of the Act, as amended from time to time.

Key Managerial Personnel (the "KMP") shall mean "Key Managerial Personnel" as defined in Section 2(51) of the Act.

Nomination and Remuneration Committee, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act.

Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income- tax Act, 1961.

Senior Management means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Managing Director, including all functional heads.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act or the Accounting Standards shall have the meanings assigned to them in these regulations.

3. Composition of the Nomination & Remuneration Committee:

The composition of the Committee to be in compliance with the Act, Rules made thereunder, as amended from time to time.

4. Role of the Committee:

a. To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.

b. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships.

c. To access the independence of Independent Non-Executive Directors.

d. To review the result of the performance evaluation process that relates to the composition of the Board.

e. To make recommendation to the Board regarding he appointment and re- appointment of Directors and succession planning for Directors in particular for Chairman & Chief Executive.

f. To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.

g. Annual appraisal of the performance of Managing Director and fixing his terms of remuneration.

h. Annual appraisal of the Senior Management Team reporting to the Managing Director.

i.Administration and superintendence in connection with the Scheme under the broad policy and framework laid down by the Company and/or by the Board of Directors.

j. Formulate from time to time specific parameters relating to the Scheme, including,

i). The quantum of Options to be granted under the Scheme to a particular Eligible employee or to a category or group of Eligible employees and in aggregate;

ii). Determination of eligibility conditions and selection of Eligible employees to whom Options may from time to time be granted hereunder;

iii). The Vesting Period and the Exercise Period within which the eligible employee should exercise the Options and that Options would lapse on failure to exercise the Options within the exercise period;

iv). The conditions under which Options vested in Eligible employee may lapse in case of termination of employment for misconduct;

v). The specified time period within which the Eligible employee shall exercise the vested Options in the event of termination or resignation of an Eligible employee;

vi). The right of an Eligible employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period;

vii). The procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, etc;
viii)Make rules by which all options including non-vested options vest immediately in case of sale, transfer or takeover of the company or amalgamation of the Company with any other company, etc. and provide for rules related to exercise period under such circumstances.

ix). Make rules related to performance based vesting of such part of the options granted to eligible employees as the Committee may decide.

x). To prescribe, amend and rescind rules and regulations relating to the Scheme;

xi). To construe, clarify and interpret the terms of the Scheme and Options granted pursuant to the Scheme;

k. Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director’s performance.

l. Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees

5.Appointment and removal of Director, KMP and Senior Management:

5.1. Appointment criteria and qualification: The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and recommend to the Board his/her appointment.

For the appointment of KMP (other than Managing Director) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment.

Further, for administrative convenience, the appointment of KMP (other than Managing Director) or Senior Management, the Managing Director is authorized to identify and appoint a suitable person for such position. However, if the need be, the Managing Director may consult the Committee/Board for further directions/guidance.

5.2. Term: The Term of the Directors including Managing Director / Independent Director shall be governed as per the provisions of the Act and Rules made thereunder, as amended from time to time. Whereas the term of the KMP (other than the Managing Director) and Senior Management shall be governed by the prevailing HR policies of the Company.

5.3. Evaluation: The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

5.4. Removal: Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

5.5. Policy Review: Subject to the approval of the Board, the Nomination & Remuneration Committee reserves the right to review and amend this policy, if required, to ascertain its appropriateness as per the needs of the Company. The company may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

6. Remuneration of Managing Director, KMP and Senior Management:

The remuneration / compensation /commission, etc., as the case may be, to the Managing Director will be determined by the Committee and recommended to the Board for approval. The remuneration/compensation/commission, etc., as the case may be, shall be subject to the approval of the shareholders of the Company and Central Government, wherever required and shall be in accordance with the provisions of the Act and Rules made thereunder. Further, the Managing Director of the Company is authorised to decide the remuneration of KMP and Senior Management, and which shall be decided by the Managing Director based on the standard market practice and prevailing HR policies of the Company.

7. Remuneration to Non-executive/ Independent Director:

The remuneration/commission/sitting fees, as the case may be, to the Non- Executive/Independent Director, shall be in accordance with the provisions of the Act and the Rules made thereunder for the time being in force or as may be decided by the Committee/Board/shareholders.

Annexure - Criteria for Evaluation

Criteria for evaluation of the Board and non-independent directors:

1. Composition of the Board and availability of multi-disciplinary skills
2. Commitment to good Corporate Governance Practices
3. Adherence to Regulatory Compliance
4. Track record of financial Performance
5. Grievance redressal mechanism
6. Existence of integrated Risk Management System
7. Use of Modern technology
8. Commitment to CSR
9. Stakeholder focus
10. Knowledge sharing
11. Drive and commitment
12. Financial & Risk Awareness

Criteria for evaluation of Chairman& Managing Director:

1. Leadership qualities
2. Standard of Integrity
3. Understanding of Macroeconomic trends and Micro Industry trends.
4. Public Relations
5. Future Vision and Innovation

Criteria for evaluation of Independent Directors:

1. Qualifications &Experience
2. Standard of Integrity
3. Attendance in Board Meetings/AGM
4. Understanding of Company's business
5. Value addition in Board Meetings

Criteria for evaluation of the Committees:

1. Qualification & Experience of members
2. Depth of review of financial performance
3. Oversight of Audit &Inspection
4. Review of regulatory compliance
5. Fraud monitoring
6. Defined set of terms of reference
7. Consideration of the recommendations of the committees by the Board
8. Familiarity of the members with the policies, procedures and guidelines of the Committees
9. Receipt of agenda & supporting materials by the members
10. Attendance at committee meetings

CORPORATE GOVERNANCE REPORT

Annexure - G

CORPORATE GOVERNANCE REPORT

The fundamental objective of "Good Corporate Governance and Ethics" is to ensure the commitment of an organization in managing the company in a legal and transparent manner in order to maximize the long-term value for all its stakeholders i.e. shareholders, customers, employees and other partners.

Company Philosophy

Five-Star Business Finance Limited's (Five Star) philosophy on corporate governance envisages adherence to the highest levels of commitment, integrity, transparency, accountability and fairness, in all areas of its business and in all interactions with its stakeholders.

Your Company has adopted a set of internal guidelines on Corporate Governance in line with its policy.

Board of Directors

As on the date of this report, your Board of Directors currently consists of Twelve (12) members including the Chairman cum Managing Director. Of these, four (4) are Independent Directors and two (2) are Non-Executive Directors.

Mr. D Lakshmipathy is the Executive Chairman and Managing Director of the Company.

During the financial year ended 31st March 2019, six (6) Board Meetings were held on 30th April 2018, 22nd May 2018, 28th June 2018, 28th August 2018, 13th November 2018 and 27th February 2019 respectively and not more than 120 days elapsed between any two meetings.

Particulars of the Directors' attendance to the Board/Committee Meetings and particulars of their other company directorships are given below:

Name	Name of Directorship	Attendance		Other Directorship
		Board	Committee	
Mr D Lakshmipathy	Chairman & Managing Director	6	31	1
Mr B Haribabu	Independent Director	6	31	1
Mr Ramanathan Annamalai	Independent Director	6	35	10
Ms Bhama Krishnamurthy	Independent Director	5	6	8
Mr R Anand	Independent Director	6	6	6
Ms Kalpana Iyer*	Independent Director	1	-	-
Mr L R Raviprasad	Non-Executive Director	6	31	1
Mr Vasan Thirulokchand	Non-Executive Director	6	-	-
Mr Vikram Vaidyanathan	Nominee Director	3	-	4
Mr Arjun Saigal	Alternate Director to Mr Ling Wei Ong, Nominee Director	5	-	3
Mr Ling Wei Ong,	Nominee Director	-	-	1
Mr G V Ravishankar	Nominee Director	4	-	16
Mr Gaurav Trehan**	Nominee Director	-	-	5

**Ms Kalpana Iyer, Independent Director, resigned with effect from 30th April 2018*
***Mr Gaurav Trehan, was appointed as Nominee Director of M/s TPG Asia VII SF Pte. Ltd. with effect from 3rd August 2018.*

Changes in Board of Directors

a. During the financial year under review, the following changes took place in the composition of the Board of Directors:

(i). Ms Kalpana Iyer, Independent Director resigned with effect from 30th April 2018.

(ii). Mr Gaurav Trehan, nominated by TPG Asia VII SF Pte. Ltd., Investor, was appointed as Additional Director with effect from 3rd August, 2018. He was subsequently appointed as Non-Executive Director liable to retire by rotation at the Annual General Meeting held on 22nd September 2018.

b. Mr Ling Wei Ong, Nominee Director of NHPEA Chocolate Holdings, B. V. and Mr G V Ravishankar, Nominee Director of SCI Investments V are retiring by rotation at the ensuing 35th Annual General Meeting and being eligible have offered themselves for re-appointment.

Independent Directors

Your Company has appointed Independent Directors as per the provisions of the Companies Act, 2013. None of the Independent Directors are Promoters or are related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company.

Every Independent Director, at the first meeting of the Board in which he/she participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he/she meets the criteria of independence as required under Section 149(7) of the Companies Act, 2013.

The Company had issued a formal letter of appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed in the website of the Company.

There is a separate meeting of the Independent Directors held annually in accordance with Schedule IV of the Companies Act, 2013 to:

(i). review the performance of non-independent directors and the Board as a whole;

(ii). review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(iii). assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Code of Conduct

Your Company has adopted a Code of Conduct for members of the Board (incorporating Code for Independent Directors) and the Senior Management. The Code aims at ensuring consistent standards of conduct and ethical business practices across the Company.

Committees of the Board

Audit Committee

Composition and Meetings

As on the date of this report, the Audit Committee currently consists of the following members:

1. Mr R Anand, Independent Director (Chairman)
2. Mr A Ramanthan, Independent Director
3. Ms Bhama Krishnamurthy, Independent Director

The Audit Committee of the Board met four (4) times during the year on 22nd May 2018, 28th August 2018, 13th November 2018 and 26th February 2019 respectively.

Terms of reference:

1. Oversight of the Company's financial reporting process and the disclosure of its financial interest to ensure that the financial statements are correct, sufficient and credible.
2. The recommendation for appointment, remuneration and terms of appointment of statutory, secretarial and internal auditors of the company.

3. Reviewing with the management the quarterly, half yearly and annual financial statements before submission to the Board, with particular reference to:
- Matters required to be included in Director's Responsibility Statement to be included in the Board's report to members.
- Changes, if any in accounting policies and practices and reasons for the same.
- Major Accounting entries involving estimates based on the exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with accounting and other legal requirements relating to financial statements.
- Disclosure of any Related Party Transactions.
- Qualifications in draft Auditors Report.

4. Reviewing with the management performance of statutory and internal auditors, adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department reporting structure and frequency of internal audit.
6. Discussion with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with statutory auditors before the audit commences, about the nature & scope of audit as well as post audit discussion to ascertain any area of concern.
9. Review on quarterly basis the securitization/bilateral assignment transactions and investment activities of the Company.
10. Annual Review of Company's policies framed pursuant to RBI and other regulatory guidelines and suggest changes if any, required to the Board for adoption.
11. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
12. Examination of the financial statement and the auditors' report thereon;
13. Approval or any subsequent modification of transactions of the company with related parties;
14. Scrutiny of inter-corporate loans and investments;
15. Valuation of undertakings or assets of the company, wherever it is necessary;
16. Monitoring the end use of funds raised through public offers and related matters.

The Committee shall mandatorily review the following information:
1. Management discussion and analysis of financial condition and results of operation
2. Statement of significant related party transactions
3. Management letters/letters of internal control weaknesses issued by the statutory auditors.
4. Internal audit report relating to internal control weaknesses.

The Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by Five Star.

Nomination & Remuneration Committee

Composition and Meetings

As on the date of this report, the Nomination & Remuneration Committee currently consists of the following members:
1. Mr L R Raviprasad, Non-Executive Director
2. Mr B Haribabu, Independent Director
3. Mr A Ramanathan, Independent Director
4. Mr Vikram Vaidyanathan, Non-Executive Director

The Nomination & Remuneration Committee of the Board met Two (2) times during the year on 22nd May 2018 and 13th November 2018.

Terms of Reference

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board atleast annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.
2. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships

3. Identification of persons who are qualified to become directors and who maybe appointed in senior management in accordance with the criteria laid down, Recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
4. To access the independence of Independent Non-Executive Directors.
5. Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
6. To review the result of the performance evaluation process that relates to the composition of the Board.
7. To make recommendation to the Board regarding the appointment and re- appointment of Directors and succession planning for Directors in particular for Chairman & Chief Executive.
8. To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.
9. Annual appraisal of the performance of Managing Director and fixing his terms of remuneration
10. Annual appraisal of the Senior Management Team reporting to the Managing Director.
11. Administration and superintendence of ESOP scheme of the Company and /or by the Board of Directors.

Business & Resource Committee
Composition and Meetings
As on the date of this report, the Business & Resource Committee currently consists of the following members:
1. Mr D Lakshmipathy, Chairman & Managing Director
2. Mr L R Raviprasad, Non-Executive Director
3. Mr B Haribabu, Independent Director
4. Mr A Ramanathan, Independent Director

The Business & Resource Committee of the Board met Twenty-Nine (29) times during the year on 27th April 2018, 8th May 2018, 28th May 2018, 12th June 2018, 21st June 2018, 28th June 2018, 10th July 2018, 24th July 2018, 28th July 2018, 3rd August 2018, 16th August 2018, 12th September 2018, 21st September 2018, 29th September 2018, 12th December 2018, 27th December 2018, 29th December 2018, 29th January 2018, 8th February 2019, 14th February 2019, 21st February 2019, 28th February 2019, 9th March 2019, 21st March 2019, 22nd March 2019, 28th March 2019, 29th March 2019 and 30th March 2019.

Terms of Reference
1. Borrowing such sum or sums of moneys, availing all kinds and types of loans and credit facilities including debentures and other debt instruments, commercial paper, temporary loans from the company's bankers, from time to time, upto such sum / limit as may be fixed by the Board of Directors / Shareholders, for and on behalf of the Company, from its directors, shareholders, banks, NBFCs, financial institutions, companies, firms, bodies corporate, Co-operative Banks, investment institutions and their subsidiaries, or from any other person as may be permitted under applicable laws, whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and/or properties, whether movable including stocks, fixed assets, book debts and to create security over the assets and / or properties of the Company in relation to such borrowings and loan/ credit facilities, modification or satisfaction of the charge/ security created on the assets and/or properties of the Company from time to time.

2. To mortgage / charge/ hypothecate all or any of the movable properties and assets of the Company both present and future and the whole or substantially the whole of the undertaking or the undertakings of the Company on such terms and conditions, as may be agreed to with the Lender(s), Debenture holders and providers of credit and debt facilities to secure the loans / borrowings / credit / debt facilities obtained or as may be obtained, or Debentures/Bonds and other instruments issued or to issued by the Company to or in favour of the financial institutions, Non-Banking Financial Companies, Co-operative Banks, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate or trustees for the holders of debentures/bonds and/or other instruments.

3. To establish current and other banking accounts with various banks upon such terms and conditions as may be agreed upon with the said bank and various other entities; to specify and change the authorized signatories and their transaction limits to the said banking accounts; to close current and other banking accounts.

4. To consider and approve securitization arrangements and to authorize carrying out of all actions connected therewith.

5. Issuance of Share/Debenture and other security certificates
   a. Issuance of fresh Share/Debenture and other security certificates
   b. Issuance of duplicate Share/Debenture and other security certificates
   c. Issuance of certificates upon request of the Company on split/consolidation/replacement of old and duplicate certificates, transfer or transmission requests.

6. To approve/ratify transfer of securities, to take note of nomination/transmission.

7. To review, modify and approve investment policy of the Company from time to time.

8. To authorize affixing the common seal of the Company in accordance with the manner laid down in the Articles of Association and to authorize taking the Common Seal out of the registered office of the Company.

Asset Liability Committee
Composition and Meetings
As on the date of this report, the Asset Liability Committee currently consists of the following members:
1. Mr. D Lakshmipathy, Chairman and Managing Director
2. Mr. Rangarajan Krishnan, CEO
3. Mr. G Srikanth, CFO
4. Mr. Arunkumar, Head - Accounts
5. Mr. Prashanth S, Head – Treasury
6. Mr Parthasarathi Asuri, Head - Risk & Compliance

The Asset Liability Committee meets regularly to review the areas falling within its terms of reference as given below.

Terms of Reference
1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Credit and Portfolio Risk Management
5. Setting credit norms for various lending products of the company
6. Operational and Process Risk Management
7. Laying down guidelines on KYC norms
8. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.

Corporate Social Responsibility Committee
Composition and Meetings
Your Company has constituted a Corporate Social Responsibility Committee as per Section 135 of Companies Act, 2013 and the Rule made there under. As on the date of this report the Committee consists of following members:
1. Mr D Lakshmipathy, Chairman & Managing Director
2. Ms Bhama Krishnamurthy, Independent Director
3. Mr R Anand, Independent Director

The Corporate Social Responsibility Committee of the Board met twice (2) time during the year on 29th August 2018 and 26th February 2019.

Terms of Reference
1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013 as may be amended or modified from time to time;
2. To recommend the amount of expenditure to be incurred on the activities referred above.
3. To monitor the Corporate Social Responsibility activities of the company from time to time.

Your Company has adopted a Corporate Social Responsibility Policy and forms part of the Director's Report as **Annexure E.**

Risk Management Committee

Composition and Meetings

As on the date of this report, the Risk Management Committee currently consists of the following members:

1. Mr D Lakshmipathy, Chairman and Managing Director
2. Mr G Srikanth, CFO
3. Mr K Rangarajan, CEO
4. Mr S M Seshathri, Head Credit
5. Mr K Arun Kumar, Head Accounts
6. Mr J Vishnu Ram, Head-Operations
7. Mr Parthasarathi Asuri, Head – Risk and Compliance

The Risk Management Committee meets at quarterly intervals to review the areas falling within its terms of reference as given below.

Terms of Reference

1. Laying down the review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework
2. Credit & Portfolio Risk Management.
3. Operational & Process Risk Management.
4. Laying down guidelines on KYC Norms.
5. Evaluation of risk management systems.
6. Gradation of risks into High / Medium / Low.
7. Movement of risks (across high / medium / low categories) to be carried out every quarter.
8. Evaluate the risk relevant policies before the same are placed to the Board for approval.

IT Strategy Committee

Composition and Meetings

As on the date of this report, the IT Strategy Committee currently consists of the following members:

1. Mr A Ramanthan, Independent Director – Chairman
2. Mr D Lakshmipathy, Chairman & Managing Director
3. Mr K Rangarajan, Chief Executive Officer
4. Mr G Srikanth, Chief Financial & Information Officer
5. Mr S Parthsarathi, Chief Credit Officer
6. Mr J Vishnu Ram, Head-Operations
7. Mr Vishnu Prasad, Head – Information Technology
8. Mr Parthasarathi Asuri, Head – Risk and Compliance

The IT Strategy Committee meets regularly to review the areas falling within its terms of reference as given below.

Terms of Reference

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
4.Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
5. Ensuring proper balance of IT investments for sustaining Five Star's growth and becoming aware about exposure towards IT risks and controls.
6. Such other terms of reference as may be laid down by RBI and/or by the Board from time to time.

Remuneration of Directors

All directors except the Chairman and Managing Director and Nominee Directors for investors are paid a sitting fee of Rs. 25,000/- for attending every meeting of the Board and Rs. 15,000/- for attending every meeting of the Audit Committee and CSR Committee.

The details of sitting fees paid to Directors during the financial year are as follows:

Name	Board	Committee
Mr. L.R. Raviprasad	1,45,000	-
Ms. Kalpana Iyer	20,000	-
Mr. B Haribabu	1,45,000	-
Mr. Ramanathan Annamalai	1,45,000	60,000
Mr. R Anand	1,45,000	90,000
Ms. Bhama Krishnamurthy	1,20,000	90,000
Mr. Vasan Thirulokchand	1,45,000	-

Commission to Non-Executive Directors

The Non-executive Directors (including Independent Directors) of the Company are paid remuneration by way of profit related Commission based on the criteria laid down by the Nomination and Remuneration Committee. The same has been approved by the Board and the shareholders and is within the limits prescribed under the Companies Act,2013.

The details of commission paid to Non-executive Directors during the financial year ended 31st March 2019 are as follows:

Director	Commission (₹)
Mr. L R Raviprasad	2,25,000
Mr. B Haribabu	2,25,000
Mr. Ramanathan Annamalai	2,25,000
Mr. R Anand	2,25,000
Ms. Bhama Krishnamurthy	2,25,000
Mr. Vasan Thirulokchand	2,25,000
Total	**13,50,000**

Remuneration to Chairman & Managing Director

The details of remuneration paid to Mr. D. Lakshmipathy, Chairman and Managing Director for the financial year ended 31st March 2019 are as follows:

Particulars	Amount (₹ in Lakhs)
Salary	219.44
Commission	125.00
Total	**344.44**

CMD/CEO/CFO Certification

CMD/CEO/ CFO have given a certificate to the Board as per the format given in regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) 2015.

General Body Meetings

During the financial year ended 31st March 2019, one (1) Annual General Meeting was held on 22nd September 2018 and one (1) Extra Ordinary General Meeting was held on 28th July 2018.

All the proposed resolutions, including special resolutions, were passed by the shareholders as set out in the Notices.

General Shareholder Information

Particulars	Details
Financial Year	April 1st, 2018 - March 31st, 2019
35th Annual General Meeting	
Day/ Date/ Time	Wednesday/ 25th September, 2019/ 10:30 A.M.
Venue	New No 27, Old No 4, Taylor's Road, Kilpauk, Chennai - 600 010.
Registrar and Transfer Agents	**NSDL Database Management Limited** 4th Floor, Trade World, 'A' Wing, Kamala Mills Compound, Lower Parel, Mumbai - 400013
Trustee	**Axis Trustee Services Limited** The Ruby, 2nd Floor, SW, 29 Senapati Bapat Marg, Dadar West, Mumbai- 400 028 **IDBI Trusteeship Services Limited** Ground Floor, Asian Building, 17, R Kanmani Road, Ballard Estate, Fort, Mumbai, Maharashtra - 400 001 **Catalyst Trusteeship Limited** Office No. 604, 6th floor, Windsor, C.S.T. Road, Kalina, Santacruz (East), Mumbai 400098
DEMAT ISIN Number in NSDL	INE128S01013 (Shares of the Company can be held in Electronic Form)

Shareholding pattern as on 31st March 2019

Name of the Shareholder	No. of Shares	Percentage (%) of Share Holding
Category		
(A) Promoters & His Relatives	45,98,581	19.24%
(B) Directors & His Relatives		
B. Haribabu	50,000	0.21%
L.R. Raviprasad	85,200	0.36%
(C) Investor		
Matrix Partners India Investment Holdings II, LLC	41,00,999	17.16%
NHPEA Chocolate Holdings B.V.	51,35,862	21.49%
Matrix Partners India Investments II Extension, LLC	68,897	0.29%
Norwest Venture Partners X - Mauritius	25,69,650	10.75%
SCI Investments V	25,69,650	10.75%
TPG Asia VII SF Pte. Ltd.	31,11,933	13.02%
(D) Public	16,08,810	6.73%
Total	**2,38,99,582**	**100.00%**

For and on behalf of the Board of Directors
D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Chennai
14.05.2019

Annexure - H

PARTICULARS OF EMPLOYEES

A. Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. Remuneration to Whole Time Director(s):

Name of the Director	*Title*	*Remuneration in FY 2018 - 19*	*% increase of remuneration in FY 2018 - 19 as Compared to FY 2017 - 18*	*Ratio of remuneration to Median Remuneration of Employees*
D Lakshmipathy	CMD	344.44	52%	-

2. Remuneration to other Directors: NIL

3. Remuneration to Key Managerial Personnel (KMP):

Name of the KMP	*Designation*	*Remuneration in FY 2018 - 19*	*Remuneration in FY 2017 - 18*	*% increase of remuneration in FY 2017 - 18 as Compared to FY 2016 - 17*
Rangarajan K	Chief Executive Officer	137.45*	NA*	NA*
G. Srikanth	Chief Financial Officer	85.18	67.94	25%
Shalini B	Company Secretary	5.24	3.74	28%

* Appointed as CEO on 22nd May 2018; Remuneration mentioned is from the month of appointment.
Remuneration stated above includes fixed and variable component; excludes stock options.

4. The number of employees on the rolls of the Company as of 31st March, 2019, and 31st March, 2018 were 1936 and 1242 respectively.
5. The median remuneration of employees was Rs. 2.12 Lakhs for FY 2018-19 and Rs. 1.98 lakhs for FY 2017-18 respectively.
6. The aggregate remuneration of employees for the FY 2018-19 was Rs. 7090.14 lakhs. The aggregate remuneration of whole time director and key managerial personnel (Excluding commission/ performance linked incentive) was Rs. 391.33 Lakhs
7. The key parameters of remuneration availed by the directors are considered by the Board of Directors.
8. It is hereby affirmed that the remuneration paid is as per the as per the Policy for Directors, Key Managerial Personnel and other Employees.

B. Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. Remuneration to Employee(s) in excess of Rs. 1.02 Crores:

a. Name of the Employee :	K. Rangarajan
b. Designation of the employee:	Chief Executive Officer
c. Remuneration received:	Rs. 143.70 lakhs**
d. Nature of employment, whether contractual or otherwise:	Permanent
e. Qualification and experience:	MBA; 15+ years
f. Date of commencement of employment:	6th August 2015
g. The age of such employee:	40
h. The last employment held by such employee before joining the Company:	Spark Capital Advisors (India) Private Limited
i. The percentage of equity shares held by the employee in the Company within the meaning of clause (iii) of sub-rule (2):	0.54%
j. Whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager:	No

**Represents full year remuneration; excludes stock options.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis

1. Industry Overview

1.1. Ever since FY2017, the financial services industry has been witnessing one growth impediment after the other every year. Following demonetisation in FY2017 was the GST implementation in FY2018. While the first half of FY2019 seemed fine, it proved to be a temporary illusion. The significant stress experienced by a few of the largest NBFCs followed by the fall of one of them led to tremendous challenges for the entire industry. Liquidity became unavailable leading to several institutions pruning down their disbursals and business projections.

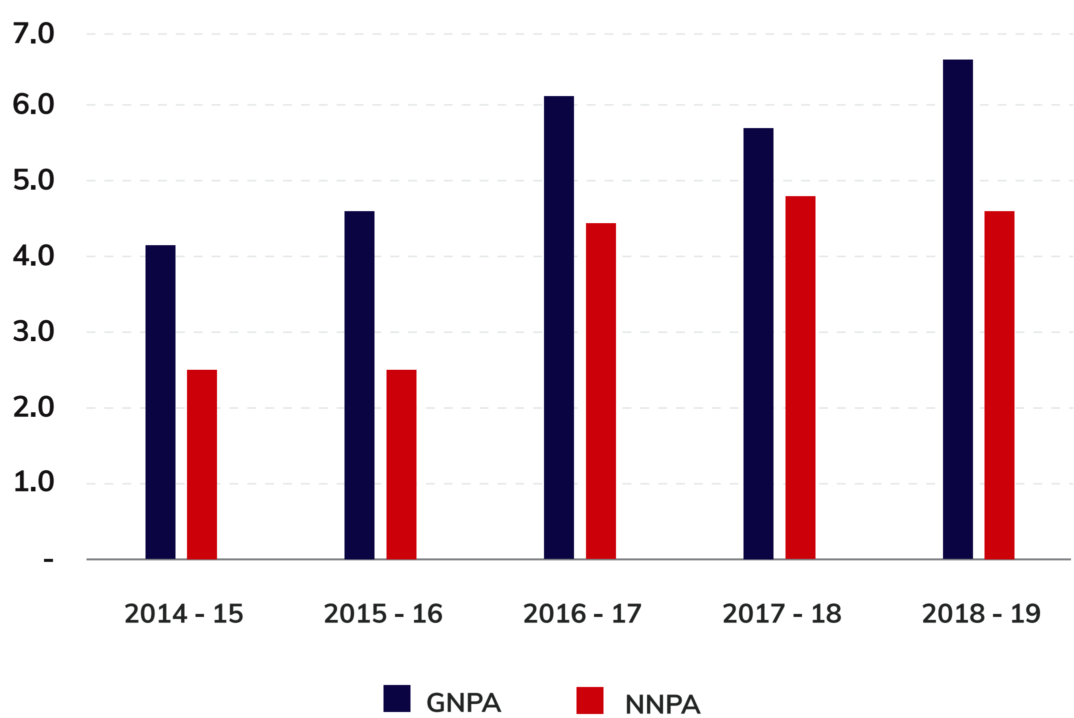
The financial year 2019 will have to be viewed against this backdrop to get a right perspective of how the industry as a whole and individual companies have fared during the year.

2. Operating Environment

2.1. Growth: Though there was no major impact on the asset side with demand being as robust as ever, the supply of liquidity to meet the demands was squeezed. Due to this, there was a sharp drop in loan disbursements by NBFCs. According to ICRA, the assets under management (AUM) of retail NBFCs witnessed a sharp slowdown in growth in Q3FY2019 as entities faced tightened liquidity and consequently moderated their incremental disbursements. All key segments of retail-NBFC credit, which contributed to higher y-o-y growth of 24-25 per cent in Q1 and Q2 FY2019, namely LAP (loan against property) and SMEs (small and medium enterprises), commercial vehicle (CV), personal credit (unsecured, including consumer durables), and microfinance witnessed a deceleration in growth, according to ICRA.

If the full year growth of the sector was analysed, the assets under management (AUM) of retail non-banking finance companies grew at a much slower pace of ~9.5% during H2FY2019 vis-à-vis ~13% during H2FY2018 due to tightening of liquidity. Typically, though Retail-NBFC growth in H2 is higher than H1, in FY2019, it was lower than H1 growth of 11.5%. Therefore, overall credit growth during FY2019 was largely supported by the H1 performance. The Retail-NBFC AUM stood at Rs 9.1 trillion as on March 31, 2019 .

2.2. Asset Quality: The sharp fall in loan disbursements and consequently AUM also had its impact on the non-performing assets of the NBFCs. The Gross NPA as a % of AUM increased from 5.8% in FY2018 to 6.6% in FY2019 . While this is the consolidated data of a multitude of NBFCs operating across various sectors, the fact remained that, across the spectrum, NBFCs went through a period of lower growth and portfolio stress.



2.3. Regulatory changes

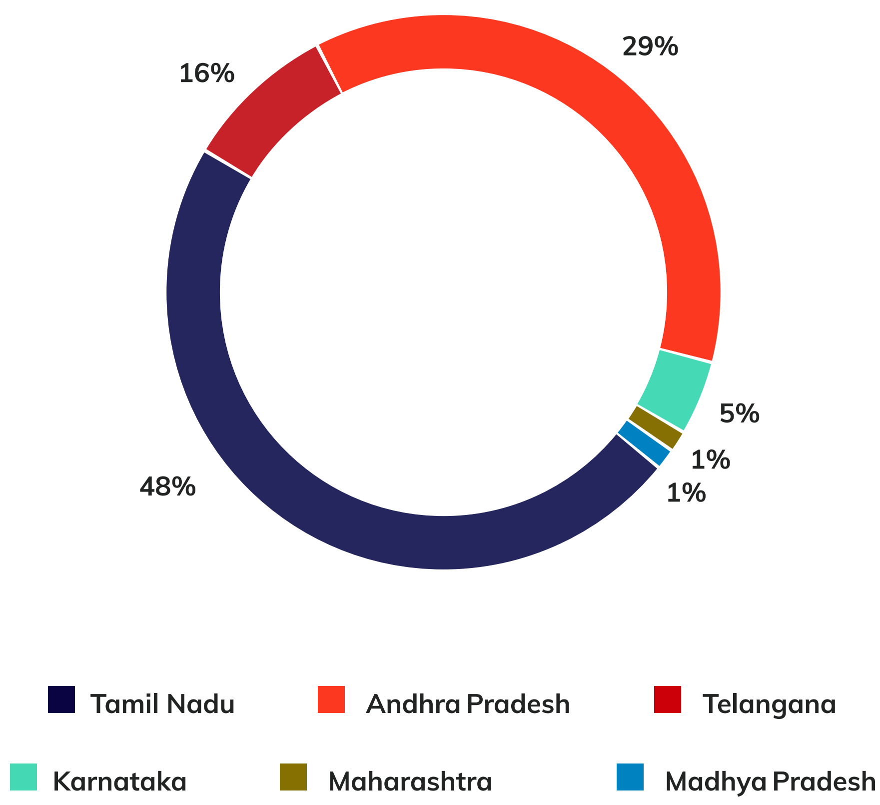
This financial year also saw certain regulatory changes, the predominant one among them being the implementation of Indian Accounting Standards for all NBFCs with a Net Worth of INR 500 Crores and above.

Until the 31st of March 2018, the company was preparing its financial statements under the Generally Accepted Accounting Principles in India (Indian GAAP) and in consonance with the statutory requirements, circulars, regulations and guidelines issued by Reserve Bank of India (RBI) from time to time.

From the financial year ending 31st March 2019, the company was required to follow Indian Accounting Standards (Ind-AS) and hence the financial statements for the current financial were 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'), and other relevant provisions of the Act.

3. Five Star – An overview

Despite all these challenges, the year FY2019 proved be another milestone year for Five Star. The following are some of the key aspects which stood as cornerstones for the company to have another landmark financial year. The branch expansion continued across states where the company was operating in. Further, the seed branches put up in Madhya Pradesh and Maharashtra performed exceedingly well and would be the growth states in the year to come. The Company also achieved further geographical diversification thereby mitigating the concentration risk. The graph below shows the portfolio distribution across the various states.



MANAGEMENT REPORTS

3.1. Core Business Model: The Company continued to maintain its focus on the Small Business Loans segment, where the underwriting of the proposals was done based on a combination of cashflow assessment and secured by the properties of the borrowers.

3.2. Ticket Size: The Company continued to operate in the small ticket size segment viz INR 3.5 – 4.0 lakhs which meant that the growth of the portfolio came due to the addition of borrowers rather than through increase in ticket size.

3.3. Strong Collections Focus: While sourcing of new business and consequent increase in AUM is important to the company, more important was the continued focus on collections and consequent asset quality. Through appropriate collections strategies along with the increased field force, the company was able to have robust collections and strong asset quality with the 90+ DPD at less than 1%.

4. Operational & Financial Metrics

4.1. Branches: The Company enhanced its branch network from 130 in FY2018 to 173 in FY2019. The seed branches in Madhya Pradesh and Maharashtra put up during the previous financial year performed well above expectations. The Company had presence in 6 states and 1 UT as at 31st March 2019.

4.2. Portfolio growth: Five Star's Consolidated AUM increased from INR 1,008 Cr in FY2018 to INR 2,113 Cr in FY2019 , which translates to a growth of about 110% for the year.

4.3. Loan disbursals: During the year, the company disbursed an amount of about INR 1,482 Crores as against INR 705 Crores in the previous year.

4.4. Asset quality: For the financial year ended 31st March 2019, the company achieved a 90+ DPD of sub 1% viz. 0.88%, as against a 90+ DPD in the previous year of 1.43%.

4.5. Capitalisation: The Company also raised equity capital of INR 619 Crores during the financial year, which spruced up the net worth of the company to about INR 1,365 Crores as at 31st March 2019.

4.6. Profitability: Due to the increase in AUM, strong portfolio quality and keeping the expenses in check, the company has also been demonstrating strong profitability metrics. The Profit After Tax increased from about INR 53 Crores in FY2018 to about INR 156 Crores in FY2019.

Some of the operational and financial highlights are given below.

Parameter	FY 2019	FY 2018	Growth
Assets under Management (INR Cr)	2112.81	1007.37	110%
Amount disbursed (INR Cr)	1481.46	705.16	110%
Branches (#)	173	130	33%
Number of customers	72,890	33,157	120%
Number of employees	1,971	1,290	53%
Profit after Tax (INR Cr)	156.28	53.15	194%

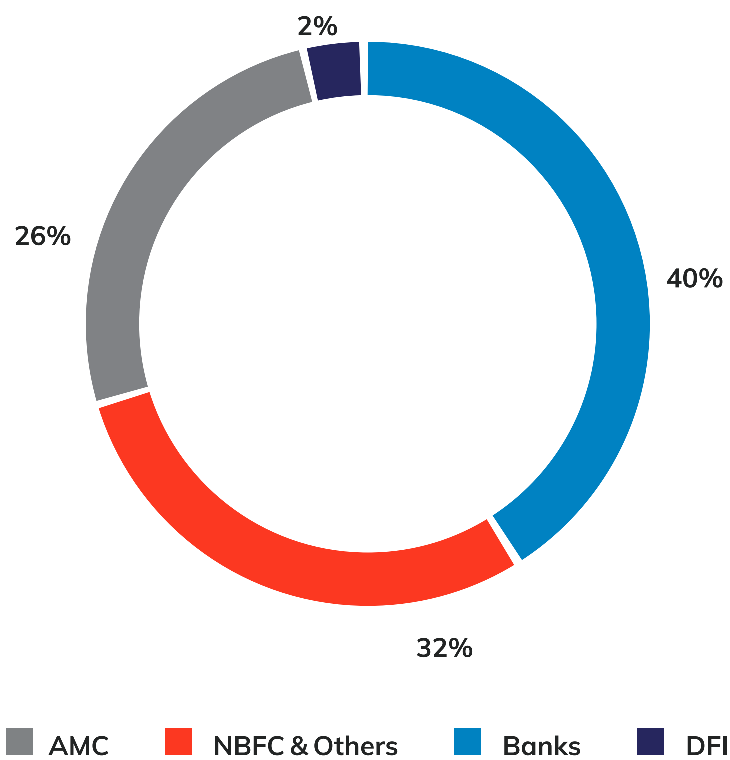
*All metrics on consolidated basis.

5. Key Performance Updates

5.1. Fresh Capital infusion: During the financial year ended 31st March 2019, the company received equity infusion amounting to INR 619 Crores, led by TPG Capital, where the existing investors also exercised their right to invest. With this investment, the company has managed to get some of the marquee names from the PE fraternity to invest into the company. The capital infusion, along with the internal accruals during the year, spruced up the net worth of the company to INR 1,365 Crores as at 31st March 2019. The capital infusion was made in August 2018 and given the liquidity challenges that hit the industry during the second half of the FY, the timing couldn't have been better. The capital not just boosts the Net Worth, but it also serves to provide significant confidence to the lenders and other debt investors.

5.2. Expanding debt funding: Despite the liquidity challenges that plagued the industry, the company managed to avail debt funding from existing lenders as well as add some new names. During the year, Franklin Templeton AMC agreed to subscribe to the NCDs of the company to the tune of INR 500 Crores. Five Star also got funding from new lenders like Bank of Baroda, Bandhan Bank and Tata Capital, Vivriti Capital, who not only provided fresh funding during the year but also have the ability, in our assessment, to support the growth plans of the company in the coming years. This also served as a reinforcement of the confidence of both the existing lenders and new lenders in the company.

The Company also has a well-diversified profile wherein the dependence is not on a particular type of funding or a particular type of lender. The Company had managed to onboard lenders across banks, NBFCs, AMCs, etc and also through multifarious instruments viz. term loans, cash credit, NCDs, etc.



5.3. Leverage: The company has, for a long time, a principle of maintaining a leverage ratio, which balances the interests of both the equity and debt investors. This was further strengthened during the year, both due to strong internal accruals and also on account of the equity infusion. As at March 2019, the consolidated debt-equity ratio of the company stood at less than 1x viz. 0.70x.

5.4. Enhanced Rating: The strong performance of the company, coupled with the strength of the equity infusion, resulted in both the rating agencies, CARE Ratings and ICRA, upgrading the external rating of the company from A- (Single A Minus) to A Stable (Single A; Stable outlook).

5.5. Asset-Liability Management: The Company has the philosophy to ensure that the assets and liabilities are match funded and short-term liabilities are not used to fund the long-term assets of the company, despite the cost arbitrages.

5.6. Human Resources: People are the most important resources of an organisation. An efficient and effective team is essential to ensure the success of any organisation. Five Star lays significant importance on hiring the right resources, placement, induction and training which will lead to the growth of the employees in the long run. During the year, the company recruited 1,124 employees which took the total staff strength to 1,971. The attrition was maintained at low levels through provision of adequate employee benefits, opportunities for growth and keeping the motivation of the employees at high levels.

The Company has a strong Management team with about 15 professionals heading each of the functions and ensuring that all the policies and procedures are adhered to despite the high growth achieved by the company. There was no attrition at the senior management level. The entire management team echoes the overall philosophy of the company and with their combined expertise and experience, the management team seems well poised to take the company to the next level in the years to come.

5.7. Technology: Over the last 2-3 years, technology has been given a lot of importance at Five Star. The company believes in leveraging the right technology to bring efficiencies in processes, reduce turnaround times, and also as a means of risk mitigation. Last year, a new Head – Technology was hired and during the current year the company has been making enhancements to its Loan Origination System along with strengthening the reporting and MIS framework. The company plans to invest more into technology in the coming years and use advanced Machine Learning and Data Analytics to build a much stronger and quality portfolio.

5.8. Risk Management and Audit Framework: Five Star believes in a robust risk management and audit framework, where necessary risk mitigants are put in place to ensure strong portfolio growth. Given the high growth achieved by the company coupled with the ambitious growth targets, the company has put in place a very strong risk and audit framework which has the capability to identify risk elements at the earliest possible instance so that necessary corrective action can be taken to remedy the same. In addition to an audit team within the company, which takes care of a number of aspects, Sundaram and Srinivasan, statutory auditors of Sundaram Finance, has been engaged as the Internal Auditors of the Company. Also, the company underwent multiple diligences during the year, across business, legal and financial aspects, as part of the equity infusion round and came through with flying colours in all of these.

5.9. Internal Financial Controls: Five Star has an Internal Financial Control system, commensurate to the size and complexity of its business and operations. The control system is designed to provide a high degree of assurance regarding the effectiveness and efficiency of the controls and mitigants to ensure that the operations and processes remain at acceptable levels, as far as possible. Additionally, the company had also engaged an external audit firm to develop a robust Internal Control system and test the same, and the report has been shared with the Statutory Auditors, who have also tested the controls as part of their audit exercise.

For and on behalf of the Board of Directors
D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Chennai
14.05.2019

STANDALONE FINANCIAL STATEMENTS

Auditor's Report

Independent Auditors' Report
To the Members of Five-Star Business Finance Limited
Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Five-Star Business Finance Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone 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 standalone 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 standalone 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Adoption of new accounting framework (Ind AS) – refer note 3 to the financial statements	
Effective 1 April 2018, the Company adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017. The following are the major impact areas for the Company upon transition: • Classification and measurement of financial assets including assessment of the Business model and financial liabilities, • Measurement of loan losses (expected credit losses) • Accounting for loan fees and borrowing costs • Accounting for employee stock options The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition including regulatory matter related compliances. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Assessing the design, implementation and operating effectiveness of key internal controls over management's evaluation of transition date choices and controls surrounding computation process. • We have also confirmed the approvals of Audit Committee on the key transition date choices and assumptions. • Understood the methodology implemented by management to give impact on the transition and assessed the accuracy of the computations. • Assessed areas of significant estimates and management judgment in line with principles under Ind AS.

Key Audit Matter	How the matter was addressed in our audit
Adoption of new accounting framework (Ind AS) – refer note 3 to the financial statements (Continued)	
We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.	
Impairment of loans – refer note 6 to the financial statements **Significant estimate and judgement involved.**	
With the applicability of Ind AS 109 credit loss assessment is based on expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • Segmentation of loans given to the customer • Criteria selected to identify significant increase in credit risk • Increase in data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Considering the probability weighted scenarios, the forward looking macro-economic factors We identified impairment of loans given to customers as key audit matter because the management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109. • Assessed the design and implementation and operating effectiveness in respect of computation of impairment allowance process. • As at the year end, evaluated whether the methodology applied by the Company is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. We have engaged our modelling specialist to test the model methodology and reasonableness of assumptions used. Performed test of details, on a sample basis, on underlying data relating to segmentation, staging as at 31 March 2019, the key inputs for computation of ECL.

Information Other than the Standalone 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 annual report, but does not include the standalone financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the standalone 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 standalone 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 standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual 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 Standalone 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 standalone 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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 standalone 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 as at 1 April 2017 included in these standalone 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 standalone 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and standalone statement of cash flows dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid standalone 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".

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 has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 35 to the standalone financial statements;

   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 6 and 30 to the standalone financial statements;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   iv. The disclosures in the standalone 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):
   In our opinion and according to the information and explanation given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

K Raghuram
Partner
Membership No: 211171

Place : Chennai
Date : May 14, 2019

Annexure A to the Independent Auditors' Report
To the Members of Five-Star Business Finance 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 in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were physically verified by the management during the year and as explained 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 title deeds of immovable properties are held in the name of the Company.

(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 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.

(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 35 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 except the following:

Name of the statute	Nature of the dues	Amount (In ₹)	Period to which the amount relates	Forum where the dispute is pending
Income-Tax Act, 1961	Income-tax	673,698	2006-2007	Commissioner of Income-tax (Appeals)

FINANCIAL STATEMENTS

(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 or to debenture holders. The Company did not have any outstanding loans or borrowings to Government 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. Also refer Note 48(W) to the standalone financial statements.

(xi) According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the provisions of section 197 read with Schedule V to the Act.

(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 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the standalone financial statements as required by the relevant accounting standards.

(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 complied with Section 42 of the Companies Act, 2013 in respect of preferential allotment or private placement of shares during the year and funds has been used for the purposes for which it has been raised. The Company has not issued any fully or partly convertible debentures during the year.

(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 is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration from Reserve Bank of India.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

K Raghuram
Partner
Membership No: 211171

Place : Chennai
Date : May 14, 2019

Annexure B to the Independent Auditors' Report
To the Members of Five-Star Business Finance Limited for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid standalone 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 Business Finance Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone 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 standalone 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 number: 101248W/W-100022

K Raghuram
Partner
Membership No: 211171

Place : Chennai
Date : May 14, 2019

Standalone Balance Sheet as at March 31, 2019

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

₹ in Lakhs

Particulars	Note No.	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
ASSETS				
Financial Assets				
Cash and cash equivalents	04	20,992.65	12,643.11	17,986.69
Bank balances other than cash and cash equivalents	05	6.88	7.98	56.64
Loans	06	2,05,743.73	96,859.91	47,380.65
Investments	07	1,500.00	1,500.00	1,500.00
Other financial assets	08	283.68	269.19	190.30
Total		**2,28,526.94**	**1,11,280.19**	**67,114.28**
Non-financial Assets				
Current tax assets (net)	09	348.17	344.41	-
Deferred tax assets (net)	37	1,422.06	621.54	346.62
Investment property	10	3.56	3.56	3.56
Property, plant and equipment	11	744.41	450.69	446.38
Capital work-in-progress	11	-	14.13	-
Intangibles under development	12	-	-	158.11
Other intangible assets	12	201.80	181.09	35.98
Other non-financial assets	13	357.39	413.86	60.39
Total		**3,077.39**	**2,029.28**	**1,051.04**
Total Assets		**2,31,604.33**	**1,13,309.47**	**68,165.32**
LIABILITIES AND EQUITY				
Financial Liabilities				
Payables	14			
Trade payables				
Total outstanding dues of micro and small enterprises		-	-	-
Total outstanding dues of creditors other than micro and small enterprises		281.39	221.10	109.26
Debt securities	15	42,972.28	19,322.09	19,078.05
Borrowings (other than debt securities)	16	49,198.22	33,483.42	25,836.73
Other financial liabilities	17	510.91	440.09	380.01
Total		**92,962.80**	**53,466.70**	**45,404.05**

Non-financial Liabilities				
Current tax liabilities (net)	18	159.89	-	170.12
Provisions	19	365.19	170.26	74.55
Other non-financial liabilities	20	1,608.12	451.38	284.24
Total		**2,133.20**	**621.64**	**528.91**
Equity				
Equity share capital	21	2,389.96	1,916.89	1,426.51
Other equity	22	1,34,118.37	57,304.24	20,805.85
Total		**1,36,508.33**	**59,221.13**	**22,232.36**
Total Liabilities and Equity		**2,31,604.33**	**1,13,309.47**	**68,165.32**

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 Business Finance Limited
CIN : U65991TN1984PLC010844

K Raghuram
Partner
Membership No: 211171

D Lakshmipathy
Chairman & Managing Director
DIN No : 01723269

R. Anand
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

Rangarajan K
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

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)

₹ in Lakhs

Particulars	Note No.	Year ended 31.03.2019	Year ended 31.03.2018
Revenue from operations			
Interest income	23	38,286.54	18,513.27
Dividend income	24	-	12.68
Fee income	25	1,317.08	427.92
Net gain on fair value changes	26	559.86	675.21
Total revenue from operations		**40,163.48**	**19,629.08**
Other income	27	120.03	76.55
Total Income		**40,283.51**	**19,705.63**
Expenses			
Finance Costs	28	7,285.60	5,471.27
Fees expenses	29	94.77	84.87
Impairment / write off on financial instruments	30	700.54	903.00
Employee benefits expenses	31	7,478.89	3,918.51
Depreciation and amortization	11 & 12	419.42	259.31
Other expenses	32	2,505.58	1,503.21
Total Expenses		**18,484.80**	**12,140.17**
Profit Before Tax		**21,798.71**	**7,565.46**
Tax expenses			
Current Tax	33 A	6,954.97	2,404.37
Deferred tax (net)	37	(785.94)	(263.06)
Total		**6,169.03**	**2,141.31**
Profit for the period		**15,629.68**	**5,424.15**

Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of the defined benefit plan	50.09	40.79
Income tax relating to items that will not be reclassified to profit or loss	(14.59)	(11.88)
Net other comprehensive income not to be reclassified subsequently to profit or loss	35.50	28.91
Other comprehensive income / (deficit) for the year, net of income tax	35.50	28.91
Total comprehensive income	**15,594.18**	**5,395.24**
Earnings per equity share of Rs.10/- each		
- Basic (Rs.)	70.16	31.29
- Diluted (Rs.)	68.58	30.69

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 Business Finance Limited
CIN : U65991TN1984PLC010844

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G Srikanth
Chief Financial Officer

Rangarajan K
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

Standalone Statement of Changes in Equity for the period ended March 31, 2019

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

₹ in Lakhs

Particulars	Number of shares	Amount
A. Equity share capital		
Balance as at April 1, 2017	**1,42,65,052**	**1,426.51**
Change in equity share capital during the year		
Add: Issued during the year	49,03,802	490.38
Balance as at March 31, 2018	**1,91,68,854**	**1,916.89**
Balance as at April 1, 2018	**1,91,68,854**	**1,916.89**
Change in equity share capital during the year		
Add: Issued during the year	47,30,728	473.07
Balance as at March 31, 2019	**2,38,99,582**	**2,389.96**

B. Other Equity

₹ in Lakhs

	Reserves and surplus					Other comprehensive income	
	Statutory reserve	Securities premium	Employee stock option reserve	General reserve	Retained earnings	Re-measurements of defined benefit plan	Total
As at April 1, 2017	**1,354.00**	**15,137.52**	**343.58**	**713.00**	**3,257.75**	-	**20,805.85**
Premium received on shares issued during the year	-	31,559.83	-	-	-	-	**31,559.83**
Utilised during the year for share issue expenses	-	(440.62)	-	-	-	-	**(440.62)**
Total comprehensive income for the year	-	-	-	-	5,424.15	(28.91)	**5,395.24**
Transfer to statutory reserve	1,124.00	-	-	-	(1,124.00)	-	**-**
Transfer to retained earnings	-	-	-	-	(28.91)	28.91	**-**
Share based payment expense	-	-	214.94	-	-	-	**214.94**
Utilised on issue	-	-	(231.00)	-	-	-	**(231.00)**
As at March 31, 2018	**2,478.00**	**46,256.73**	**327.52**	**713.00**	**7,528.99**	-	**57,304.24**
As at April 1, 2018	**2,478.00**	**46,256.73**	**327.52**	**713.00**	**7,528.99**	-	**57,304.24**
Premium received on shares issued during the year	-	61,558.73	-	-	-	-	**61,558.73**
Utilised during the year for share issue expenses	-	(501.53)	-	-	-	-	**(501.53)**
Total comprehensive income for the year	-	-	-	-	15,629.68	(35.50)	**15,594.18**
Transfer to statutory reserve	3,126.00	-	-	-	(3,126.00)	-	**-**
Transfer to retained earnings	-	-	-	-	(35.50)	35.50	**-**
Share based payment expense	-	-	267.83	-	-	-	**267.83**
Utilised on issue	-	-	(105.08)	-	-	-	**(105.08)**
As at March 31, 2019	**5,604.00**	**1,07,313.93**	**490.27**	**713.00**	**19,997.17**	-	**1,34,118.37**

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 Business Finance Limited
CIN : U65991TN1984PLC010844

K Raghuram
Partner
Membership No: 211171

D Lakshmipathy
Chairman & Managing Director
DIN No : 01723269

R. Anand
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

Rangarajan K
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

Standalone Cash Flow Statement for the Year ended March 31, 2019

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

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
A. Cash Flow from Operating Activities		
Net Profit Before Tax	**21,798.71**	**7,565.46**
Adjustments for:		
Depreciation and amortization	419.42	259.30
Provision for gratuity	58.51	33.73
Provision for compensated absences	86.33	21.19
Provision for impairment on financial instruments and write-offs	700.54	903.00
Loss on sale/retirement of property, plant and equipment (net)	0.93	8.42
Profit on sale of current investments (net)	(559.86)	(675.21)
Interest income on deposits with banks / others	(1,335.21)	(797.59)
Finance costs	7,285.60	5,471.27
Employee stock option expenses	267.83	214.94
Operating cash flow before working capital changes	**28,722.80**	**13,004.51**
Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Loans	(1,09,584.36)	(50,382.26)
Other non- financial assets	(94.34)	(182.47)
Other financial assets	(59.35)	(52.00)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	60.31	111.87
Other financial liabilities	(1.09)	1.34
Other non financial liabilities	1,156.74	167.14
Net cash (used in) operations	**(79,799.29)**	**(37,331.87)**
Finance cost paid	(7,409.26)	(5,410.96)
Direct access paid(Net) not access	(6,798.84)	(2,918.89)
Net Cash Used in Operating Activities (A)	**(94,007.40)**	**(45,661.72)**
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(585.14)	(448.23)
Proceeds from sale of fixed assets	15.30	4.04
Profit on sale of current investments	559.86	675.21
Interest income on deposits with banks / others	1,380.07	770.69
Movement in bank balances other than cash and cash equivalent	1.09	48.66
Net Cash from Investing Activities (B)	**1,371.18**	**1,050.37**
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares	473.07	490.38
Proceeds from securities premium (net off utilisation)	61,453.65	31,328.84
Expenses towards issue of shares	(501.53)	(440.62)
Fresh borrowings during the year	60,140.00	19,500.00
Repayments of borrowings (including process fee)	(20,579.43)	(11,610.83)
Net Cash from Financing Activities (C)	**1,00,985.76**	**39,267.77**

FINANCIAL STATEMENTS

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	**8,349.54**	**(5,343.58)**
Cash and Cash Equivalents at the beginning of the Year	12,643.11	17,986.69
Cash and Cash Equivalents at the end of the year	**20,992.65**	**12,643.11**

Notes to cash flow statement

1. Cash and cash equivalents		
Cash on hand	343.31	166.92
Balances with banks		
(i) In current accounts	19,930.86	1,269.22
(ii) In other deposit accounts (original maturity less than 3 months)	718.48	11,206.97

2. Change in liabilities arising from financing activities

Particulars	Debt securities	Borrowings (other than debt securities)
As at April 1, 2017	**19,078.05**	**25,836.73**
Cash flows (net)	207.90	7,684.38
Others*	36.14	(37.69)
As at March 31, 2018	**19,322.09**	**33,483.42**
Cash flows (net)	23,742.84	15,817.73
Others*	(92.65)	(102.93)
As at March 31, 2019	**42,972.28**	**49,198.22**

* 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 Business Finance Limited
CIN : U65991TN1984PLC010844

K Raghuram
Partner
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D Lakshmipathy
Chairman & Managing Director
DIN No : 01723269

R. Anand
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

Rangarajan K
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

Notes forming part of the standalone financial statements for the year ended March 31, 2019
(All amounts are in Indian Rupees in lakhs, except share data and stated otherwise)

1. Reporting entity

Five-Star Business Finance Limited ("the Company"), is a public limited company domiciled in India, and incorporated under the provisions of Companies Act 1956. The Company is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated June 9, 2016 in lieu of Certificate of Registration dated December 3, 2002 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company is primarily engaged in providing small business loans and loans for house renovations / extensions.

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 Reserve Bank of India (RBI) 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. The Company followed the prudential norms for the income recognition, asset classification and provisioning as prescribed by the RBI for Systemically Important Non-deposit taking Non-Banking Finance Companies (NBFC-ND-SI).

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 47.

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

Details of the company's accounting policies are disclosed in note 3.

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') that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

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
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations.

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.

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 behavioural 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 behaviour 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 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.

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 litigations, arbitrations, 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.

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. Dividend income
Dividend income is recognised when the Company’s right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

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

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

E. 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 any of the above categories are measured at FVTPL.

iii). Investment in subsidiaries

The Company has accounted for its investments in subsidiaries at cost.

3.3. Financial assets and liabilities

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 1, 2017.

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 instrument)

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.

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. Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency of the Company, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.10. 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 of 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. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iv. 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
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

3.11. Intangible assets

i. Intangible assets

Intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Transition to Ind AS

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

iv. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the written down value method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Impairment of non-financial assets

The Company determines periodically whether there is any indication of impairment of the carrying amount of its non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3.12. 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 or receive cash compensation on termination of employment. 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.

iv. Stock based compensation

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

3.13. 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.

3.14. 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.

3.15. 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.

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.

3.16. 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.

3.17. 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.

3.18. 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.

3.19. 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 anti-dilutive.

3.20. 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.

3.21. 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.

Notes forming part of the standalone financial statements for the year ended March 31, 2019

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

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
4. Cash and cash equivalents			
Cash on hand	343.31	166.92	101.86
Balances with banks			
(i) In current accounts	19,930.86	1,269.22	4,334.83
(ii) In other deposit accounts (original maturity less than 3 months)	718.48	11,206.97	13,550.00
Total	**20,992.65**	**12,643.11**	**17,986.69**
5. Bank Balances other than cash and cash equivalents			
Fixed deposit with bank	-	-	50.00
In earmarked accounts			
Unclaimed Dividend account	6.88	7.98	6.64
Total	**6.88**	**7.98**	**56.64**
6. Loans (At amotised cost)			
A. Based on nature			
Term Loans			
Gross term loans	**2,07,348.89**	**97,939.91**	**48,010.66**
Less: Impairment loss allowance	1,605.16	1,080.00	630.01
Net term loans	**2,05,743.73**	**96,859.91**	**47,380.65**
B. Based on security			
Secured by tangible assets	2,07,348.89	97,939.91	48,010.66
Unsecured	-	-	-
Gross term loans	**2,07,348.89**	**97,939.91**	**48,010.66**
Less: Impairment loss allowance	1,605.16	1,080.00	630.01
Net term loans	**2,05,743.73**	**96,859.91**	**47,380.65**
C. Based on region			
Loans in India			
Public sector	-	-	-
Others	2,07,348.89	97,939.91	48,010.66
Less: Impairment loss allowance	1,605.16	1,080.00	630.01
Total	**2,05,743.73**	**96,859.91**	**47,380.65**

Note:

Secured exposures are secured wholly by mortgage of property.

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
7. Investments			
At Cost			
Equity shares of subsidiary - Unquoted (Five-Star Housing Finance Private Limited)	1,500.00	1,500.00	1,500.00
Gross Investments	**1,500.00**	**1,500.00**	**1,500.00**
Investments in India	1,500.00	1,500.00	1,500.00
Investments outside India	-	-	-
Gross Investments	**1,500.00**	**1,500.00**	**1,500.00**
Less: Impairment loss allowance	-	-	-
Net Investments	**1,500.00**	**1,500.00**	**1,500.00**
Aggregate book value of unquoted investments	1,500.00	1,500.00	1,500.00
Aggregate amount of impairment in value of investments	-	-	-

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017

For the investment in subsidiary entity, the Company has opted for the exemption provided in Para D15 (b)(ii) of IndAS101 and accordingly the same has been measured at previous GAAP carrying amount i.e. at cost at the transition date.

As per Para 10 of Ind AS 27, the Company has opted to value the investments in subsidiary entity at cost.

Particulars	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017
8. Other financial assets			
Unsecured, considered good			
Security deposits	254.27	191.73	135.19
Loans and advances to related parties			
- Five-Star Housing Finance Private Limited	-	19.90	23.87
Interest accrued but not due on deposits	2.73	47.59	20.69
Other receivables	26.68	9.97	10.55
Total	**283.68**	**269.19**	**190.30**
9. Current tax assets (net)			
Advance income tax, net of provision	348.17	344.41	-
Total	**348.17**	**344.41**	**-**
10. Investment Property			
Cost or deemed cost (Gross carrying amount)			
Balance at the beginning of the year	3.56	3.56	3.56
Acquisitions	-	-	-
Transfer from property, plant and equipment	-	-	-
Balance at the end of the year	**3.56**	**3.56**	**3.56**
Accumulated depreciation			
Balance at the beginning of the year	-	-	-
Depreciation for the year	-	-	-
Balance at the end of the year	**-**	**-**	**-**
Net carrying amounts	**3.56**	**3.56**	**3.56**
Fair value	**6.53**	**5.81**	**5.35**

11. Property, plant and equipment and capital work-in-progress

₹ in Lakhs

Particulars	Furniture and fittings	Computers and accessories	Office equipments	Vehicles	Leasehold improvements	Total (A)	Capital work-in-progress (B)	Total
Cost or deemed cost (gross carrying amount)								
Balance at April 1, 2017	**128.15**	**50.55**	**33.23**	**39.26**	**195.19**	**446.38**	**-**	**446.38**
Additions / Transfer-in	84.67	125.01	20.26	-	2.60	232.54	14.13	246.67
Disposals / Transfer-out	10.79	0.02	1.52	-	0.13	12.46	-	12.46
As at March 31, 2018	**202.03**	**175.54**	**51.97**	**39.26**	**197.66**	**666.46**	**14.13**	**680.59**
Additions / Transfer-in	184.77	224.34	54.46	-	200.99	664.56	-	664.56
Disposals / Transfer-out	2.59	6.81	0.48	-	-	9.88	14.13	24.01
As at March 31, 2019	**384.21**	**393.07**	**105.95**	**39.26**	**398.65**	**1,321.14**	**-**	**1,321.14**
Accumulated depreciation								
Depreciation for the year	39.92	67.52	18.67	12.23	77.44	215.77	-	215.77
On disposals	-	-	-	-	-	-	-	-
As at March 31, 2018	**39.92**	**67.52**	**18.67**	**12.23**	**77.44**	**215.77**	**-**	**215.77**
Depreciation for the year	70.75	150.66	28.94	8.40	110.08	368.83	-	368.83
On disposals	1.45	6.18	0.24	-	-	7.87	-	7.87
As at March 31, 2019	**109.22**	**212.00**	**47.37**	**20.63**	**187.52**	**576.73**	**-**	**576.73**
Carrying amount (net)								
As at April 1, 2017	128.15	50.55	33.23	39.26	195.19	446.38	-	446.38
As at March 31, 2018	162.12	108.02	33.30	27.03	120.23	450.69	14.13	464.82
As at March 31, 2019	274.99	181.07	58.58	18.63	211.13	744.41	-	744.41

12. Intangible assets and intangibles under development

₹ in Lakhs

Particulars	Softwares	Total (A)	Intangibles under development (B)	Total (A) + (B)
Cost or deemed cost (gross carrying amount)				
Balance at April 1, 2017	**35.98**	**35.98**	**158.11**	**194.09**
Additions / Transfer-in	188.65	188.65	-	188.65
Disposals / Transfer-out	-	-	158.11	158.11
As at March 31, 2018	**224.63**	**224.63**	**-**	**224.63**
Additions / Transfer-in	71.39	71.39	-	71.39
Disposals / Transfer-out	0.10	0.10	-	0.10
As at March 31, 2019	**295.92**	**295.92**	**-**	**295.92**
Accumulated amortisation				
Amortisation for the year	43.53	43.53	-	43.53
On disposals	-	-	-	-
As at March 31, 2018	**43.53**	**43.53**	**-**	**43.53**
Amortisation for the year	50.59	50.59	-	50.59
On disposals	0.01	0.01	-	0.01
As at March 31, 2019	**94.11**	**94.11**	**-**	**94.11**
Carrying amount (net)				
As at April 1, 2017	35.98	35.98	158.11	194.08
As at March 31, 2018	181.10	181.10	-	181.10
As at March 31, 2019	201.81	201.81	-	201.81

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
13. Other non-financial assets			
Capital advances	24.49	175.30	4.30
Prepaid expenses	305.84	198.59	34.22
Balance with government authorities	27.06	39.97	21.87
Total	**357.39**	**413.86**	**60.39**
14. Payables			
14.1. Trade payables			
total outstanding dues of micro and small enterprises	-	-	-
total outstanding dues of creditors other than micro and small enterprises	281.39	221.10	109.26
Total	**281.39**	**221.10**	**109.26**
15. Debt securities (refer note 16.1)			
At amortised cost			
Secured debentures			
2,000 (March 31, 2018 - 50, April 1, 2017 - Nil), 10.21% redeemable, non-convertible debentures of INR 10 lakh each	20,000.00	500.00	-
240, (March 31, 2018 - 240, April 1, 2017 - 240) 11.25% redeemable, non-convertible debentures of INR 10 lakh each	2,400.00	2,400.00	2,400.00
250, (March 31, 2018 - 250, April 1, 2017 - Nil) 11.00 % (March 31, 2018 -11.00%) redeemable, non-convertible debentures of INR 10 lakh each	2,500.00	2,500.00	-
300, (March 31, 2018 - 300, April 1, 2017 - 300) 13.60% redeemable, non-convertible debentures of INR 10 lakh each	1,714.28	2,571.43	3,000.00
450, (March 31, 2018 - 450, April 1, 2017 - 450) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	4,500.00	4,500.00	4,500.00
300, (March 31, 2018 - 300, April 1, 2017 - 300) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	3,000.00	3,000.00	3,000.00
2,250, (March 31, 2018 - 2,500, April 1, 2017 - 2,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	2,250.00	2,500.00	2,500.00
1,350, (March 31, 2018 - 1,500, April 1, 2017 - 1,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	1,350.00	1,500.00	1,500.00
550, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	5,500.00	-	-
Nil, (March 31, 2018 - Nil, April 1, 2017 - 25,000) 12.50% redeemable, non-convertible debentures of INR 100 each	-	-	25.00
4,450, (March 31, 2018 - 4,450, April 1, 2017 - 4,450) 12.50% redeemable, non-convertible debentures of INR 100 each	4.45	4.45	4.45
Commercial papers (Unsecured)	**-**	**-**	**2,266.25**
	43,218.73	**19,475.88**	**19,195.70**
Less: Unamortised processing fee	(246.45)	(153.79)	(117.65)
	42,972.28	**19,322.09**	**19,078.05**

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₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Debts securities in India	42,972.28	19,322.09	19,078.05
Debts securities outside India	-	-	-
	42,972.28	**19,322.09**	**19,078.05**

Commercial papers (unsecured) issued at face value of INR 2,500 Lakhs were having an interest rate of 10.60% with a maturity of 364 days.

16. Borrowings (other than debt securities) (refer note 16.1)			
At amortised cost			
Term loans (secured)			
From banks	36,934.46	20,923.61	13,144.53
From other parties	11,550.18	7,619.18	10,321.37
Loans from related parties (unsecured)	65.65	71.57	91.37
Loans from others (unsecured)	3.64	5.23	11.50
Loans repayable on demand (secured)			
From banks	863.07	4,979.68	2,421.50
	49,417.00	**33,599.27**	**25,990.27**
Less: Unamortised processing fee	(218.78)	(115.85)	(153.54)
	49,198.22	33,483.42	25,836.73
Borrowings in India	49,198.22	33,483.42	25,836.73
Borrowings outside India	-	-	-
	49,198.22	**33,483.42**	**25,836.73**

Loans repayable on demand includes on cash credit and working capital demand loans from banks which are secured by specific charge on identified receivables. As at 31 March 2019, the rate of interest across the cash credit and working capital demand loans was in the range of 9.50% p.a to 12.00% p.a (March 31, 2018 - 9.00% p.a to 11.50% p.a April 1, 2017 - 11.00%p.a to 13.00% p.a).

The Company has not defaulted in the repayment of the borrowings (including debt securities).

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

₹ in Lakhs

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
1,350, (March 31, 2018 - 1,500, April 1, 2017 - 1,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	48 months	April 15, 2019	1,350.00	1,500.00	1,500.00
2,250, (March 31, 2018 - 2,500, April 1, 2017 - 2,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	48 months	March 7, 2019	2,250.00	2,500.00	2,500.00
300, (March 31, 2018 - 300, April 1, 2017 - 300) 13.60% redeemable, non-convertible debentures of INR 10 lakh each	60 months	January 27, 2017	1,714.28	2,571.43	3,000.00
2,000 (March 31, 2018 - 50, April 1, 2017 - Nil), 10.21% redeemable, non-convertible debentures of INR 10 lakh each	60 months	June 28, 2022	20,000.00	500.00	-
300, (March 31, 2018 - 300, April 1, 2017 - 300) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	48 months	March 30, 2020	3,000.00	3,000.00	3,000.00
240, (March 31, 2018 - 240, April 1, 2017 - 240) 11.25% redeemable, non-convertible debentures of INR 10 lakh each	48 months	February 28, 2021	2,400.00	2,400.00	2,400.00
450, (March 31, 2018 - 450, April 1, 2017 - 450) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	48 months	March 30, 2020	4,500.00	4,500.00	4,500.00
250, (March 31, 2018 - 250, April 1, 2017 - Nil) 11.00 % (March 31, 2018 -11.00%) redeemable, non-convertible debentures of INR 10 lakh each	72 months	March 30, 2023	2,500.00	2,500.00	-
500, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	36 months	April 29, 2021	5,000.00	-	-
50, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	36 months	April 29, 2021	500.00	-	-
Nil, (March 31, 2018 - Nil, April 1, 2017 - 25,000) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	February 28, 2018	-	-	25.00
420, (March 31, 2018 - 420, April 1, 2017 - 420) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	November 19, 2014	0.42	0.42	0.42
3,300, (March 31, 2018 - 3,300, April 1, 2017 - 3,300) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	April 14, 2015	3.30	3.30	3.30
450, (March 31, 2018 - 450, April 1, 2017 - 450) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	May 24, 2015	0.45	0.45	0.45
180, (March 31, 2018 - 180, April 1, 2017 - 180) 12.50% redeemable, non-convertible debentures of INR 100 each	12 months	August 2, 2013	0.18	0.18	0.18
100, (March 31, 2018 - 100, April 1, 2017 - 100) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	December 12, 2015	0.10	0.10	0.10
Total			**43,218.73**	**19,475.88**	**16,929.45**

All debentures are secured by pari passu charge on immoveable property and exclusive first charge on book debts.

₹ in Lakhs

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Term loans from banks					
Term Loan 1	48 months	April 15, 2017	1,000.00	1,500.00	-
Term Loan 2	60 months	March 3, 2019	3,736.67	-	-
Term Loan 3	36 months	May 1, 2019	3,000.00	-	-
Term Loan 4	60 months	June 30, 2019	5,000.00	-	-
Term Loan 5	36 months	February 5, 2018	2,361.12	-	-
Term Loan 6	36 months	April 5, 2018	1,047.10	1,500.00	-
Term Loan 7	36 months	May 5, 2018	724.32	1,000.00	-
Term Loan 8	48 months	April 30, 2017	500.00	750.00	1,000.00
Term Loan 9	48 months	April 23, 2018	739.13	1,000.00	-
Term Loan 10	60 months	December 5, 2015	20.47	31.31	41.19
Term Loan 11	36 months	May 7, 2017	399.55	727.74	1,000.00
Term Loan 12	60 months	July 28, 2016	238.31	346.97	439.19
Term Loan 13	36 months	May 28, 2018	1,333.33	2,000.00	-
Term Loan 14	36 months	December 13, 2016	136.36	681.82	1,227.27
Term Loan 15	36 months	September 30, 2017	1,323.53	2,382.35	-
Term Loan 16	36 months	May 21, 2018	1,352.94	2,000.00	-
Term Loan 17	42 months	September 30, 2018	4,125.00	-	-
Term Loan 18	36 months	May 18, 2019	5,000.00	-	-
Term Loan 19	36 months	August 9, 2017	208.33	375.00	500.00
Term Loan 20	60 months	May 2, 2016	237.35	340.76	429.92
Term Loan 21	60 months	March 28, 2018	333.33	444.44	500.00
Term Loan 22	60 months	April 30, 2017	2,381.50	3,224.07	4,000.00
Term Loan 23	36 months	May 5, 2018	1,736.12	-	-
Term Loan 25	48 months	March 31, 2016	-	303.57	517.86
Term Loan 26	36 months	February 15, 2015	-	-	124.97
Term Loan 27	60 months	October 31, 2015	-	550.00	750.00
Term Loan 28	60 months	December 31, 2016	-	732.80	933.20
Term Loan 29	48 months	July 31, 2015	-	166.16	281.24
Term Loan 30	48 months	October 31, 2017	-	866.62	-
Term Loan 31	36 months	September 21, 2014	-	-	41.67
Term Loan 32	36 months	June 15, 2015	-	-	233.33
Term Loan 33	36 months	May 28, 2015	-	-	166.48

₹ in Lakhs

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Term Loan 34	60 months	July 27, 2016	-	-	424.85
Term Loan 35	48 months	December 31, 2016	-	-	533.36
Total			**36,934.46**	**20,923.61**	**13,144.53**
All the above loans are secured by an exclusive first charge on book debts.					
Term loans from others					
Term loans from other - 1	36 months	November 30, 2018	1,600.00	2,000.00	-
Term loans from other - 2	48 months	February 11, 2018	2,395.83	-	-
Term loans from other - 3	60 months	May 1, 2019	1,000.00	-	-
Term loans from other - 4	48 months	January 29, 2019	1,900.01	-	-
Term loans from other - 5	48 months	April 28, 2017	649.45	974.62	1,299.98
Term loans from other - 6	60 months	September 1, 2019	1,340.00	-	-
Term loans from other - 7	60 months	November 22, 2015	183.16	288.16	379.84
Term loans from other - 8	60 months	April 22, 2017	995.61	1,259.87	1,500.00
Term loans from other - 9	36 months	March 20, 2019	486.12	-	-
Term loans from other - 10	60 months	April 27, 2019	500.00	-	-
Term loans from other - 11	36 months	April 20, 2019	500.00	-	-
Term loans from other - 12	60 months	August 1, 2015	-	265.89	361.74
Term loans from other - 13	60 months	July 1, 2016	-	351.48	437.17
Term loans from other - 14	53 months	September 15, 2016	-	604.16	854.17
Term loans from other - 15	48 months	April 10, 2017	-	1,125.00	1,500.00
Term loans from other - 16	48 months	April 30, 2017	-	750.00	1,000.00
Term loans from other - 17	24 months	November 1, 2014	-	-	60.02
Term loans from other - 18	60 months	December 1, 2015	-	-	420.66
Term loans from other - 19	36 months	September 18, 2014	-	-	65.98
Term loans from other - 20	36 months	November 22, 2014	-	-	128.33
Term loans from other - 21	48 months	September 27, 2014	-	-	125.36
Term loans from other - 22	48 months	July 2, 2015	-	-	188.12
Term loans from other - 23	48 months	April 15, 2017	-	-	2,000.00
Total			**11,550.18**	**7,619.18**	**10,321.37**
All the above loans are secured by an exclusive first charge on book debts.					

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
17. Other financial liabilities			
Interest accrued but not due on borrowings	125.53	48.29	45.02
Interest accrued but not due on debt securities	378.50	383.82	328.35
Unpaid dividends	6.88	7.98	6.64
Total	**510.91**	**440.09**	**380.01**
18. Current tax liabilities (net)			
Provision for tax (net)	159.89	-	170.12
Total	**159.89**	**-**	**170.12**
19. Provisions			
Provision for employee benefits			
Provision for gratuity	247.34	138.74	64.22
Provision for compensated absences	117.85	31.52	10.33
Total	**365.19**	**170.26**	**74.55**
20. Other non-financial liabilities			
Statutory dues payable	309.23	169.66	51.37
Employee related payables	1,241.14	254.06	219.30
Rent straight lining	57.75	27.66	13.57
Total	**1,608.12**	**451.38**	**284.24**
21. Equity share capital			
Authorised			
30,000,000 shares (March 31, 2018 - 20,000,000, April 1, 2017 - 20,000,000) of INR 10 each	3,000.00	2,000.00	2,000.00
Issued, subscribed and fully paid up			
23,899,582 shares (March 31, 2018 - 19,168,854, April 1, 2017 - 14,265,052) of INR 10 each	2,389.96	1,916.89	1,426.51

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

	As at 31.03.2019		As at 31.03.2018	
	Number of shares	Amount in Lakhs of INR	Number of shares	Amount in Lakhs of INR
As at beginning of the year	1,91,68,854	1,916.89	1,42,65,052	1,426.51
Shares issued in exercise of employee stock options	43,900	4.39	1,88,500	18.85
Shares issued for cash	46,86,828	468.68	47,15,302	471.53
As at the end of the year	2,38,99,582	2,389.96	1,91,68,854	1,916.89

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.

Shares reserved for issue under options

Information relating to Five- Star Associate Stock Option Scheme, 2015 including the details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 42.

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

Name of shareholder	As at 31.03.2019 Number of shares	As at 31.03.2019 % of total shares in class
NHPEA Chocolate Holding B.V	51,35,862	21.49
Matrix Partners India Investment Holdings II, LLC	41,00,999	17.16
TPG Asia VII SF Pte. Ltd.	31,11,933	13.02
Norwest Venture Partners X - Mauritius	25,69,650	10.75
SCI Investments V	25,69,650	10.75
D. Lakshmipathy	22,87,551	9.57
L. Hema	20,83,060	8.72

Name of shareholder	As at 31.03.2018 Number of shares	As at 31.03.2018 % of total shares in class
NHPEA Chocolate Holding B.V	44,69,560	23.32
Matrix Partners India Investment Holdings II, LLC	41,00,999	21.39
D. Lakshmipathy	23,76,150	12.40
L. Hema	20,81,060	10.86
Norwest Venture Partners X - Mauritius	20,01,779	10.44
SCI Investments V	20,01,779	10.44

Name of shareholder	As at 01.04.2017 Number of shares	As at 01.04.2017 % of total shares in class
Matrix Partners India Investment Holdings II, LLC	40,80,240	28.60
NHPEA Chocolate Holding B.V	35,65,052	24.99
D. Lakshmipathy	25,95,830	18.20
L. Hema	20,73,760	14.54

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
22. Other Equity			
Statutory reserve	5,604.00	2,478.00	1,354.00
Share options outstanding account	490.27	327.52	343.58
Securities premium	1,07,313.93	46,256.73	15,137.52
General reserve	713.00	713.00	713.00
Retained earnings	19,997.17	7,528.99	3,257.75
Other comprehensive income	-	-	-
Total	**1,34,118.37**	**57,304.24**	**20,805.85**

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
i. Statutory reserve		
Opening balance	2,478.00	1,354.00
Amount transferred from surplus in the statement of profit and loss	3,126.00	1,124.00
Closing balance	**5,604.00**	**2,478.00**

As per Section 45-IC of the Reserve Bank of India Act, 1934, 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 3,126 (March 31, 2018: INR 1,124), out of the profit after tax for the year ended March 31, 2019 to Statutory Reserve. No appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by RBI.

ii. Share options outstanding account		
Opening balance	327.52	343.58
Share based payment expense	267.83	214.94
Less : Transfer to securities premium	105.08	231.00
Less : Transfer to general reserve for lapse of options	-	-
Closing balance	**490.27**	**327.52**

The Company has established equity-settled share based payment plans for certain categories of employees of the Company. Refer note 42 for further details of these plans.

iii. Securities premium		
Opening balance	46,256.73	15,137.52
Premium on shares issued during the period	61,558.73	31,559.83
Less : Utilised during the year for share issue expenses	501.53	440.62
Closing balance	**1,07,313.93**	**46,256.73**

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with provisions of Companies Act, 2013.

22. Other Equity

iv. General reserve		
Opening balance	713.00	713.00
Amount transferred from surplus in the statement of profit and loss	-	-
Closing balance	**713.00**	**713.00**

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

v. Retained earnings		
Opening balance	7,528.99	3,257.75
Net Profit for the year	15,629.68	5,424.15
Less : Appropriations		
Transfer to Statutory reserve	3,126.00	1,124.00
Transfer from other comprehensive income	(35.50)	(28.91)
Closing balance	**19,997.17**	**7,528.99**

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.

vi. Other comprehensive income		
Opening balance	-	-
Remeasurements of defined benefit asset/ (liability)	35.50	28.91
Transferred to retained earnings	(35.50)	(28.91)
Closing balance	**-**	**-**

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

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
23. Interest income		
(On financial assets measured at amortised cost)		
Interest on loans	36,951.33	17,715.68
Interest on deposits with banks	1,335.21	797.59
Total	**38,286.54**	**18,513.27**
24. Dividend income		
Dividend income	-	12.68
Total	**-**	**12.68**
25. Fee income		
Legal and inspection fees	1,263.36	345.37
Others charges	53.72	82.55
Total	**1,317.08**	**427.92**
26. 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	559.86	675.21
Total	**559.86**	**675.21**
Fair value changes		
Realised	559.86	675.21
Unrealised	-	-
Total	**559.86**	**675.21**
27. Other Income		
Other non-operating income	120.03	76.55
Total	**120.03**	**76.55**
28. Finance costs		
(On financial liabilities measured at amortised cost)		
Interest on borrowings		
- term loans from banks	2,610.36	2,049.81
- cash credits and overdraft	4.00	37.29
- term loans from others	699.94	872.00
Interest on debt securities	3,971.30	2,512.17
Total	**7,285.60**	**5,471.27**
29. Fees expenses		
Amortisation of ancillary costs relating to borrowings	94.77	84.87
Total	**94.77**	**84.87**

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
30. Impairment / write off on financial instruments		
(On financial assets measured at amortised cost)		
Impairment loss allowance on loans	525.16	449.99
Loans written off	175.38	453.01
Total	**700.54**	**903.00**
31. Employee benefits expenses		
Salaries, wages and bonus	6,634.41	3,403.34
Contribution to provident and other funds	455.73	233.42
Employee stock option expenses	267.83	214.94
Staff welfare expenses	120.92	66.81
Total	**7,478.89**	**3,918.51**
32. Other expenses		
Rent	428.07	250.52
Rates and taxes	183.54	198.98
Electricity expenses	55.26	32.34
Repairs and maintenance	187.51	88.44
Communication costs	262.32	135.53
Printing and stationery	199.03	108.59
Advertisement and publicity	6.28	36.00
Directors fees, allowances and expenses	11.05	7.30
Auditor's fees and expenses (Refer note 32.1)	24.56	16.00
Legal and professional charges	669.41	211.65
Insurance	9.01	4.78
Corporate social responsibility expenses (Refer note 32.2)	10.00	5.00
Travel expenses	135.18	132.30
Information technology expenses	225.31	205.07
Loss on sale of property, plant and equipment	0.98	8.74
Bank charges	47.07	25.26
Customer referral expenses	25.32	4.29
Miscellaneous expenses	25.68	32.42
Total	**2,505.58**	**1,503.21**
32.1. Payments to auditors, excluding applicable taxes*		
Statutory audit including limited review	19.62	8.50
Tax audit	1.09	3.00
Other services	3.27	4.50
Reimbursement of expenses	0.58	-
Total	**24.56**	**16.00**

*Payments for the year ended March 31, 2018 include fees paid to erstwhile statutory auditors.

32.2. Details of expenditure on corporate social responsibility ("CSR")		
(a) Amount required to be spent by the Company during the year	86.76	44.20
(b) Amount spent during the year (in cash) :		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	10.00	5.00

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
33. A. Income tax		
i. Current tax		
Current period	6,969.56	2,416.24
Changes in estimates related to prior years	-	-
Total	**6,969.56**	**2,416.24**
ii. Deferred tax		
Attributable to–		
Origination and reversal of temporary differences	(785.94)	(263.05)
Total	**(785.94)**	**(263.05)**
Tax expense (i)+(ii)	**6,183.62**	**2,153.19**
33. B. Income tax recognized in other comprehensive income		
Re-measurements of the defined benefit plan	50.09	40.79
Income tax relating to items that will not be reclassified to profit or loss	(14.59)	(11.88)
Net of tax	35.50	28.91
33.1. Reconciliation of total tax expense		
Profit before tax	21,798.71	7,565.46
Applicable tax rate	29.12%	28.84%
Computed tax expense	6,347.79	2,181.88
Tax effect of :		
Permanent differences		
Deduction u/s 80JJAA of the Income Tax Act, 1961	168.86	64.04
Disallowance related to CSR expenditure	(1.46)	(1.44)
Change in tax rates	5.98	54.97
Others	5.38	(77.00)
Income tax expense recognised in statement of profit and loss	**6,169.03**	**2,141.31**
Effective tax rate	28.30%	28.30%

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
34. Commitments			
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	3.95	59.38	-
35. Contingent liabilities			
Claims against the Company not acknowledged as debt			
- Income tax related matters (excluding penalties and interest)	6.74	6.74	6.74
- 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.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017

36. 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 31.03.2019	As at 31.03.2018	As at 01.04.2017
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.	-	-	-

37. Deferred tax assets / (liability):

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
In relation to :			
Difference between written down value of fixed assets as per books of accounts and income tax	69.51	32.75	30.46
Employee Benefits	155.73	49.58	25.80
Impairment allowance	321.02	182.26	169.69
Unamortised processing fee income	1,011.27	435.47	217.54
Unamortised processing fee expenses	(135.47)	(78.52)	(96.87)
Total	**1,422.06**	**621.54**	**346.62**

₹ in Lakhs

Particulars	Opening Balance	Recognised in profit of loss	Recognised in other comprehensive income	Closing Balance
37. Deferred tax assets / (liability):				
The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense				
For the year ended 31 March, 2018 :				
Difference between written down value of fixed assets as per books of accounts and income tax	30.46	2.30	-	32.75
Employee Benefits	25.80	11.90	11.88	49.58
Impairment on financial instruments	169.69	12.56	-	182.26
Unamortised processing fee income / expense	120.66	236.29	-	356.95
Total	**346.62**	**263.05**	**11.88**	**621.54**
The following table shows deferred tax recorded in the balance sheet and changes recorded in the income tax expense				
For the year ended 31 March, 2019 :				
Difference between written down value of fixed assets as per books of accounts and income tax	32.75	36.76	-	69.51
Employee Benefits	49.58	91.56	14.59	155.73
Impairment on financial instruments	182.26	138.76	-	321.02
Unamortised processing fee income / expense	356.95	518.85	-	875.80
Total	**621.54**	**785.93**	**14.59**	**1,422.06**

38. Operating Lease

The company has operating lease agreement primarily for office premises. The leases typically run for a period of 3 to 9 years, with an option to renew the lease after that period.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
i. Amount recognized in profit or loss		
Minimum lease payments	428.07	250.52

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017
ii. Future minimum lease payments			
Payable within one year	423.55	239.15	127.14
Payable between one and five years	1,238.42	1,593.81	429.97
Payable after five years	110.70	134.73	59.48

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
39. Earnings per share		
Profit after tax	15,629.68	5,424.15
Weighted Average Number of Equity Shares in calculation of basic earnings per share	2,22,76,811	1,73,37,381
Dilution on account of ESOP and share warrants	5,14,492	3,37,193
Weighted Average Number of Equity Shares in calculation of diluted earnings per share	2,27,91,303	1,76,74,574
Basic earnings per share	70.16	31.29
Diluted earnings per share	68.58	30.69

40. 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 small business loans and loans for house renovations / extensions etc. 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.

41. Employee benefits - post employment benefit plans

Defined contribution plans

A. 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 223.91 lakhs (year ended March 31, 2018 - INR 132.54 lakhs) for provident fund contributions, and INR 134.46 lakhs (year ended March 31, 2018 - INR 81.65 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

Gratuity

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.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Present value of obligations	247.34	138.74
Fair value of plan assets	-	-
Asset/ (Liability) recognised in the balance sheet	**(247.34)**	**(138.74)**
B. Defined benefit plans		
Reconciliation of present value of defined benefit obligation		
Balance at the beginning of the year	138.74	64.22
Benefits paid	(3.44)	-
Current service cost	51.76	19.11
Past service cost	-	10.18
Interest cost	10.19	4.43
Actuarial (gain)/loss recognized in other comprehensive income	50.09	40.80
changes in demographic assumptions	(38.61)	-
changes in financial assumptions	52.71	30.35
experience adjustments	35.99	10.45
Balance at the end of the year	**247.34**	**138.74**
Net defined benefit (asset) liability	**247.34**	**138.74**

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Expense recognized in profit or loss		
Current service cost	51.76	19.11
Interest cost	10.19	4.43
Past service (gain)/ loss	-	10.18
Total	**61.95**	**33.73**
Remeasurements recognized in other comprehensive income		
Actuarial (gain) loss on defined benefit obligation	(50.09)	(40.80)
Return on plan assets excluding interest income	-	-
Total	**(50.09)**	**(40.80)**
Actuarial assumptions		
Discount rate	6.88%	7.44%
Future salary growth	15.00%	10.00%
Attrition rate	25.00%	15.00%

Five year information

₹ in Lakhs

Gratuity	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017	As at 31.03.2016	As at 31.03.2015
Defined benefit obligation	247.34	138.74	64.22	44.29	30.75
Fair value of plan assets	-	-	-	-	-
Deficit in plan	(247.34)	(138.74)	(64.22)	(44.29)	(30.75)
Experience adjustments on plan liabilities	(35.99)	(10.45)	(10.92)	(6.07)	(5.65)
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:

Discount rate		
-1% increase	(11.56)	(8.19)
-1% decrease	12.64	9.16
Future salary growth		
-1% increase	11.50	8.41
-1% decrease	(10.79)	(7.77)
Attrition rate		
-1% increase	(6.13)	(2.23)
-1% decrease	6.55	2.37

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

42. Share Based Payments

A. Five-Star Associate Stock Option Scheme, 2015

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015" or "The Scheme") was taken by the Board of Directors at the meeting held on September 18, 2015 and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on April 12, 2016. The total options issuable under the plan are upto 5,63,000 options. Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plan. Under the plan, the participants are granted options which vest as per the schedule provided in the Grant Letter given to each of the participants. The time period for exercise of these options is defined in the Scheme document.

i. Reconciliation of outstanding share options

₹ in Lakhs

	As at 31.03.2019		As at 31.03.2018	
	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options
Outstanding at beginning of year	46.22	3,62,000	20.34	4,82,500
Forfeited during the year	-	-	-	-
Exercised during the year	61.15	43,900	10.20	1,88,500
Granted during the year	130.00	12,500	130.00	68,000
Outstanding as at end of year	50.03	3,30,600	46.22	3,62,000
Exercisable at March 31	21.75	1,16,400	10.00	8,000

The weighted average share price at the date of exercise of options exercised during the year ended ended March 31, 2019 is Rs.1326.89/- (March 31, 2018 : 674.40/-)

ii. Expense recognised in the statement of profit and loss

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Total Expense	267.83	214.94

iii. Measurement of fair values

The fair value of options have been estimated on the dates of each grant using the Black Scholes model. The various inputs considered in the pricing model for the stock options granted by the Company are as follows: ₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017
Weighted average share price	698.00	653.49	146.65
Share price on Grant date	698.00	674.40	130-319
Exercise price	130.00	130.00	130.00
Fair value of options at grant date	595.47 - 620.03	215.86 - 594.95	122.19 - 242.19
Expected volatility	29.28% - 30.89%	27.09% - 31.08%	26.84% - 30.68%
Option term	3.54-7.54 years	3.54-7.54 years	3.54-7.54 years
Expected dividends	Nil	Nil	Nil
Risk free interest rate	6.70% - 6.75%	6.00% - 6.25%	6.75%- 7.00%
Weighted average remaining contractual life (in years)	6.2	6.28	5.5

43. Related party disclosures

a. Name of the related parties and nature of relationship

Subsidiary company :

Five Star Housing Finance Private Limited

Key Management Personnel :

D. Lakshmipathy, Chairman and Managing Director
K.Rangarajan, Chief Executive Officer (from May 22, 2018)
G. Srikanth, Chief Financial Officer
B. Shalini, Company Secretary

Director and relative of Key Management Personnel / Director

L. Hema, Wife of Mr. D. Lakshmipathy
R. Deenadayalan, Father of Mr. D. Lakshmipathy
D. Varalakshmi, Mother of Mr.D. Lakshmipathy
B Sudha, Sister of Mr. D. Lakshmipathy
L.Srishti, Daughter of Mr. D.Lakshmipathy
L.Shritha, Daughter of Mr.D. Lakshmipathy
Mr. Ravi Prasad, Director
R. Bhuvaneswari, Wife of Mr. Ravi Prasad
L.R.Deepak Krishna, Son of Mr. Ravi Prasad
L.R.Venkatesh, Son of Mr. Ravi Prasad
H.Srinivasan, Son of Mr.Hari Babu

Entities with substantial interest over the company

Matrix Partners India Investment Holdings II, LLC (upto August 3, 2018)
M/s.NHPEA Chocolate Holding B.V.

b. Key management personnel compensation

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
D. Lakshmipathy, Chairman and Managing Director	344.44	226.67
K.Rangarajan, Chief Executive Officer	181.67	-
G.Srikanth, Chief Financial Officer	99.00	110.61
B.Shalini, Company Secretary	5.24	3.74

Managerial remuneration above does not include gratuity and leave encashment benefit, since the same is computed actuarially for all the employees and the amount attributable to the managerial person cannot be ascertained separately.

c. Details of related party transactions

₹ in Lakhs

Nature of transaction	Year ended 31.03.2019	Year ended 31.03.2018
Interest expense		
L. Hema	0.01	0.03
L.Srishti	-	0.01
L.Shritha	-	0.02
D. Varalakshmi	-	0.12
B.Sudha	0.06	1.45
K.Boopathi	0.27	0.89
R.Bhuvaneshwari	0.13	0.13
L.R.Deepak Krishna	3.94	3.95
L.R. Ravi Prasad	0.35	0.35
L.R. Venkatesh	3.13	3.13

₹ in Lakhs

Nature of transaction	Year ended 31.03.2019	Year ended 31.03.2018
Rent		
D. Lakshmipathy	-	2.55
Recovery of shared cost		
Five Star Housing Finance Private Limited	118.24	75.00
Refund of rent advance		
D. Lakshmipathy, Chairman and Managing Director	-	3.35
Issue of equity shares		
Matrix Partners India Investment Holdings II, LLC	-	2.08
NHPEA Chocolate Holding B.V.	66.63	90.45
Receipt of share premium		
Matrix Partners India Investment Holdings II, LLC	-	137.92
NHPEA Chocolate Holding B.V.	8,733.35	6,009.55
c. Details of related party transactions		
Loans repaid		
L. Hema	0.10	0.10
L.Srishti	-	0.10
L.Shritha	-	0.10
D. Varalakshmi	-	1.50
B. Sudha	1.00	13.00
K.Boopathi	4.50	3.00
R.Bhuvaneshwari	-	-
L.R.Deepak Krishna	-	1.00
L.R. Ravi Prasad	-	-
L.R. Venkatesh	-	1.00
H.Srinivasan	0.32	-
Year end balances : Investment		
Five-Star Housing Finance Private Limited	1,500.00	1,500.00
Year end balances : Receivable		
Five-Star Housing Finance Private Limited	-	19.90
Year end balances : Borrowings		
L. Hema	-	0.10
B. Sudha	-	1.00
K.Boopathi	-	4.50
R.Bhuvaneshwari	1.15	1.15
L.R.Deepak Krishna	34.30	34.30
L.R. Ravi Prasad	3.00	3.00
L.R. Venkatesh	27.20	27.20
H.Srinivasan	-	0.32

44. Capital

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, Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

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 RBI 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.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Equity	1,36,508.33	59,221.13	22,232.36
Debt	92,170.50	52,805.50	44,914.78
Cash and Cash equivalents	20,992.65	12,643.11	17,986.69
Net Debt	71,177.85	40,162.39	26,928.10
Net Debt to Equity Ratio	0.52	0.68	1.21

ii. Regulatory capital

The company has to mandatorily comply with the capital adequacy requirements stipulated by Reserve Bank of India from time to time. Capital adequacy ratio or capital-to-risk weighted assets ratio (CRAR) is computed by dividing company's Tier I and Tier II capital by risk weighted assets.

Tier I capital comprised of share capital, share premium, retained earnings including current year profit and Tier II capital comprises of provision on standard assets. Risk weighted assets represents the weighted sum of company's credit exposures based on their risk.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Tier I Capital	1,34,578.63	58,382.73	21,657.42
Tier II Capital	1,191.76	715.25	1,426.51
Total Capital	**1,35,770.39**	**59,097.98**	**23,083.93**
CRAR%	64.81	59.10	44.21
CRAR - Tier I Capital%	64.24	58.38	43.36
CRAR - Tier II Capital%	0.57	0.72	0.85
Amount of subordinated debt raised as Tier-II capital	-	-	-
Amount raised by issue of perpetual debt instruments	-	-	-

Tier 1 capital consists of shareholders' equity and retained earnings. Tier 2 Capital consists of general provision and loss reserve against standard assets (stage 1 and stage 2 assets). Tier 1 and Tier 2 has been reported on the basis of Ind AS financial information.

45. 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:

₹ in Lakhs

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	20,992.65	-	-	20,992.65
Bank balances other than cash and cash equivalents	6.88	-	-	6.88
Loans	2,05,743.73	-	-	2,05,743.73
Investments in subsidiary - unquoted equity shares	1,500.00	-	-	1,500.00
Other financial assets	283.68	-	-	283.68
Total	**2,28,526.94**	**-**	**-**	**2,28,526.94**
Liabilities:				
Trade payables	281.39	-	-	281.39
Debt securities	42,972.28	-	-	42,972.28
Borrowings (Other than debt securities)	49,198.22	-	-	49,198.22
Other financial liabilities	-	-	510.91	510.91
Total	**92,451.89**	**-**	**510.91**	**92,962.80**

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

₹ in Lakhs

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	12,643.11	-	-	12,643.11
Bank balances other than cash and cash equivalents	7.98	-	-	7.98
Loans	96,859.91	-	-	96,859.91
Investments in subsidiary - unquoted equity shares	1,500.00	-	-	1,500.00
Other financial assets	269.19	-	-	269.19
Total	**1,11,280.20**	**-**	**-**	**1,11,280.20**
Liabilities:				
Trade payables	221.10	-	-	221.10
Debt securities	19,322.09	-	-	19,322.09
Borrowings (Other than debt securities)	33,483.42	-	-	33,483.42
Other financial liabilities	-	-	440.09	440.09
Total	**53,026.61**	**-**	**440.09**	**53,466.70**

The carrying value and fair value of financial instruments by categories as of April 01, 2017 were as follows:

₹ in Lakhs

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	17,986.69	-	-	17,986.69
Bank balances other than cash and cash equivalents	56.64	-	-	56.64
Loans	47,380.65	-	-	47,380.65
Investments in subsidiary - unquoted equity shares	1,500.00	-	-	1,500.00
Other financial assets	190.30	-	-	190.30
Total	**67,114.28**	**-**	**-**	**67,114.28**
Liabilities:				
Trade payables	109.26	-	-	109.26
Debt securities	19,078.05	-	-	19,078.05
Borrowings (Other than debt securities)	25,836.73	-	-	25,836.73
Other financial liabilities	-	-	380.01	380.01
Total	**45,024.04**	**-**	**380.01**	**45,404.05**

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.

46. Financial risk management objectives and policies

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 the return.

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:

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Fixed rate instruments			
Financial assets	2,06,462.21	1,08,066.88	60,980.65
Financial liabilities	63,640.81	28512.71	29492.68
Total	**2,70,103.03**	**1,36,579.60**	**90,473.33**
Variable rate instruments			
Financial assets	-	-	-
Financial liabilities	28,529.69	24292.79	15422.10
Total	**28,529.69**	**24,292.79**	**15,422.10**

Cash flow sensitivity analysis for variable-rate instruments:

₹ in Lakhs

	Profit / loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31-Mar-19				
Variable-rate instruments	(22.47)	22.47	(15.93)	15.93
Cash flow sensitivity (net)	(22.47)	22.47	(15.93)	15.93
31-Mar-18				
Variable-rate instruments	(20.13)	20.13	(14.33)	14.33
Cash flow sensitivity (net)	(20.13)	20.13	(14.33)	14.33

(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 on PD based on the last six years 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.

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

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 31.03.2019	As at 31.03.2018	As at 01.04.2017
Stage 1	12 month provision	0.14%	0.23%	0.2%
Stage 2	Life time provision	4.41%	4.09%	5.9%
Stage 3	Life time provision	22.88%	20.89%	13.5%

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:

₹ in Lakhs

Particulars	As at 31.03.2019				As at 31.03.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**83,455.22**	**12,738.44**	**1,746.25**	**97,939.91**	**40,909.03**	**5,590.54**	**1,511.09**	**48,010.67**
Asset derecognised or repaid (excluding write-off)	(10,479.11)	(2,306.72)	(176.68)	(12,962.51)	(5,418.65)	(922.93)	(289.79)	(6,631.37)
Assets partially repaid	(7,825.30)	(2,262.38)	-	(10,087.68)	(5,108.19)	(1,047.14)	(49.88)	(6,205.21)
Roll forwards to higher stages	(11,178.10)	(575.09)	-	(11,753.19)	(8,142.86)	(513.34)	-	(8,656.20)
Roll forward from lower stages	-	11,019.37	733.82	11,753.19	-	7,720.00	936.06	8,656.06
Roll back from higher stages	-	(1,809.74)	(327.64)	(2,137.38)	-	(1,594.86)	(111.54)	(1,706.40)
Roll back to lower stages	1,904.54	232.84	-	2,137.38	1,620.86	85.54	-	1,706.40
Amount written off	-	-	(175.38)	(175.38)	-	-	(336.66)	(336.66)
New assets originated	1,28,605.00	4,023.37	6.18	1,32,634.55	59,595.03	3,420.63	86.97	63,102.63
Gross carrying amount closing balance	**1,84,482.26**	**21,060.08**	**1,806.55**	**2,07,348.89**	**83,455.22**	**12,738.44**	**1,746.25**	**97,939.91**
Reconciliation of ECL balance is given below:								
ECL allowance - opening balance	**194.00**	**521.26**	**364.74**	**1,080.00**	**97.79**	**327.73**	**204.49**	**630.01**
Addition during the year	98.74	505.04	126.76	730.54	109.63	246.23	244.69	600.55
Reversal / Utilization during the year	(30.10)	(97.17)	(78.11)	(205.38)	(13.42)	(52.70)	(84.44)	(150.56)
Closing provision of ECL	**262.63**	**929.14**	**413.39**	**1,605.16**	**194.00**	**521.26**	**364.74**	**1,080.00**

Analysis of inputs to the ECL model under multiple economic scenarios
An overview of the approach to estimating ECLs is set out in Note 3.5 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:

₹ in Lakhs

ECL Scenario	As at 31.03.2019	As at 31.03.2018
Best case	1,297.60	924.19
Base case	1,554.85	1,056.90
Worst case	1,921.44	1,232.50

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 107.77 Lakhs (March 31, 2018: INR 285.12 Lakhs).

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

₹ in Lakhs

Geography	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Tamil Nadu	97,074.37	53,266.00	33,243.59
Karnataka	11,273.17	4,026.26	1,108.81
Andhra Pradesh	62,278.32	30,405.97	12,528.11
Telangana	34,402.67	10,241.68	1,130.15
Others	2,320.36	-	-
Total	**2,07,348.89**	**97,939.91**	**48,010.66**

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-performance by these counter-parties.

(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 :

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Cash Credit facilities	1,836.93	770.32	528.50
Others	57,000.00	20,000.00	400.00
Total	**58,836.93**	**20,770.32**	**928.50**

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:

₹ in Lakhs

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt Securities	42,972.28	4,233.75	10,796.15	27,942.38	-
Borrowings (Other than Debt Securities)	49,198.22	17,753.05	15,883.66	15,472.72	88.79
Other payables	281.39	281.39	-	-	-
Other financial liabilities	510.91	510.91	-	-	-
Total	**92,962.80**	**22,779.10**	**26,679.81**	**43,415.10**	**88.79**
Financial Assets					
Cash and cash equivalents	20,282.37	20,282.37	-	-	-
Bank Balances other than cash and cash equivalents	718.48	718.48	-	-	-
Loans	2,05,743.73	28,216.47	32,100.11	1,01,082.05	44,345.10
Investments	1,500.00	-	-	-	1,500.00
Other Financial assets	283.68	283.68	-	-	
Total	**2,28,528.26**	**49,501.00**	**32,100.11**	**1,01,082.05**	**45,845.10**

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

₹ in Lakhs

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt Securities	19,322.09	1,213.42	4,284.50	13,824.17	-
Borrowings (Other than Debt Securities)	33,483.42	14,404.49	9,604.79	9,474.15	-
Other payables	221.10	221.10	-	-	-
Other financial liabilities	440.09	440.09	-	-	-
Total	**53,466.69**	**16,279.10**	**13,889.28**	**23,298.32**	**-**
Financial Assets					
Cash and cash equivalents	12,643.11	12,643.11	-	-	-
Bank Balances other than cash and cash equivalents	7.98	7.98	-	-	-
Loans	96,859.91	20,180.15	16,592.38	45,290.36	14,797.02
Investments	1,500.00	-	-	-	1,500.00
Other Financial assets	269.19	269.19	-	-	-
Total	**1,11,280.20**	**33,100.43**	**16,592.38**	**45,290.36**	**16,297.02**

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at March 31, 2017:

₹ in Lakhs

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt Securities	19,078.05	2,686.93	1,225.85	15,165.27	-
Borrowings (Other than Debt Securities)	25,836.73	8,928.93	5,973.87	10,933.94	-
Other payables	109.26	109.26	-	-	-
Other financial liabilities	380.01	380.01	-	-	-
Total	**45,404.05**	**12,105.12**	**7,199.72**	**26,099.21**	**-**
Financial Assets					
Cash and cash equivalents	17,986.69	17,986.69	-	-	-
Bank Balances other than cash and cash equivalents	56.64	6.64	50.00	-	-
Loans	47,380.65	9,216.14	9,456.00	23,815.64	4,892.87
Investments	1,500.00	-	-	-	1,500.00
Other Financial assets	190.30	190.30	-	-	-
Total	**67,114.28**	**27,399.77**	**9,506.00**	**23,815.64**	**6,392.87**

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.

47. Explanation of transition to Ind AS

As stated in Note 2A, 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.

A. Optional exemptions availed

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. The same election has been made in respect of intangible also.

(ii). Investment in subsidiary

Ind-AS 101 allows a first-time adopter to use a deemed cost when measuring an investment in a subsidiary in the separate opening statement of financial position. This deemed cost can be determined using either fair value at the date of transition to Ind-AS or a previous GAAP carrying amount at that date. A first-time adopter is able to choose whether to use the deemed cost exemption on an investment-by-investment basis for its subsidiary.

Accordingly, the Company has elected to avail the exemption and use the previous GAAP carrying value as deemed cost.

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 NBFC company is required to assess the impairment of financial assets based upon the new model i.e. ECL instead of rule based guidance (RBI 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.

Reconciliation of equity

₹ in Lakhs

Particulars	Note	As at the date of transition April 1, 2017			As at 31.03.2018		
		Previous GAAP*	Adjustments on transition	Ind AS	Previous GAAP*	Adjustments on transition	Ind AS
Assets							
Financial Assets							
Cash and cash equivalents		17,986.69	-	17,986.69	12,643.11	-	12,643.11
Bank balances other than cash and cash equivalents		56.64	-	56.64	7.98	-	7.98
Loans	A,B	47,956.00	(575.35)	47,380.65	98,130.29	(1,270.37)	96,859.91
Investments		1,500.00	-	1,500.00	1,500.00	-	1,500.00
Other financial assets		191.46	(1.16)	190.30	271.64	(2.45)	269.19
Total		**67,690.79**	**(576.51)**	**67,114.28**	**1,12,553.02**	**(1,272.82)**	**1,11,280.19**
Non - Financial Assets							
Current tax assets (net)		-	-	-	344.41	-	344.41
Deferred tax assets (net)	G	244.47	102.14	346.62	364.03	257.52	621.54
Investment property		3.56	-	3.56	3.56	-	3.56
Property, plant and equipment		446.38	-	446.38	450.68	-	450.69
Capital work-in-progress		-		-	14.13		14.13
Intangibles under development		158.11	-	158.11	-	-	-
Other intangible assets		35.98	-	35.98	181.09	-	181.09
Other non-financial assets		60.39	-	60.39	413.86	-	413.86
Total		**948.89**	**102.14**	**1,051.04**	**1,771.76**	**257.52**	**2,029.28**
Total		**68,639.67**	**(474.36)**	**68,165.32**	**1,14,324.79**	**(1,015.32)**	**1,13,309.47**
LIABILITIES AND EQUITY							
Financial Liabilities							
Payables							
Trade payables							
-total outstanding dues of micro and small enterprises		-			-		
-total outstanding dues of creditors other than micro and small enterprises		109.26	-	109.26	221.10	-	221.10
Debt securities	C	19,195.70	117.64	19,078.05	19,475.88	153.79	19,322.09
Borrowings (other than debt securities)	C	25,990.27	153.54	25,836.73	33,599.28	115.86	33,483.42
Other financial liabilities		380.01	-	380.01	440.09	-	440.09
Total		**45,675.23**	**271.18**	**45,404.05**	**53,736.34**	**269.65**	**53,466.70**

₹ in Lakhs

Particulars	Note	As at the date of transition April 1, 2017			As at 31.03.2018		
		Previous GAAP*	Adjustments on transition	Ind AS	Previous GAAP*	Adjustments on transition	Ind AS
Non-Financial Liabilities							
Current tax liabilities (Net)		170.12	-	170.12	-	-	-
Provisions		74.55	-	74.55	170.26	-	170.26
Other Non-financial liabilities	E	270.67	(13.57)	284.24	423.54	(27.85)	451.38
		515.34	**(13.57)**	**528.91**	**593.80**	**(27.85)**	**621.64**
Equity							
Equity share capital		1,426.51	-	1,426.51	1,916.89	-	1,916.89
Other equity		21,022.60	216.75	20,805.85	58,077.76	773.51	57,304.24
Total		**22,449.10**	**216.75**	**22,232.36**	**59,994.64**	**773.51**	**59,221.13**
Total		**68,639.67**	**474.36**	**68,165.32**	**1,14,324.78**	**1,015.32**	**1,13,309.47**

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

₹ in Lakhs

Particulars	Note	As at 01.04.2017	As at 31.03.2018
Total equity (shareholder's funds) as per previous GAAP		**22,449.10**	**59,994.64**
Impact on recognition of processing fee on financial assets under effective interest rate	A	(628.57)	(1,495.43)
Impact on recognition of processing fee on financial liabilities under effective interest rate	C	271.19	269.63
Recognition of suspended interest income (net)	B	296.37	337.14
Impact of application of Expected Credit Loss method for impairment allowance on receivables under financing activities	D	(243.16)	(112.27)
Others	E, F	(14.73)	(30.10)
Tax Impact on above adjustments		102.16	257.52
Adjustment to retained earnings		**(216.74)**	**(773.51)**
Total equity (shareholder's funds) as per Ind AS		**22,232.36**	**59,221.13**

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

₹ in Lakhs

Particulars	Note	As at 31.03.2018		
		Previous GAAP*	Adjustments on transition	Ind AS
Revenue from operations				
Interest income	A,B	19,224.03	(710.75)	18,513.27
Dividend income		12.68	-	12.68
Fee income		427.92	-	427.92
Net gain on fair value changes		675.21	-	675.21
Total revenue from operations		**20,339.83**	**(710.75)**	**19,629.08**
Other income		76.55	-	76.55
Total		**20,416.38**	**(710.75)**	**19,705.63**
Expenses				
Finance costs	C	5,469.71	1.56	5,471.27
Fees expenses		84.87	-	84.87
Impairment / write off on financial instruments	D	918.55	(15.55)	903.00
Employee benefits expenses	E	4,293.18	(374.67)	3,918.51
Depreciation and amortization		259.31	-	259.31
Other expenses	F	1,487.83	15.38	1,503.21
Total expenses		**12,513.45**	**(373.28)**	**12,140.17**
Profit before tax		**7,902.93**	**(337.47)**	**7,565.46**
Tax expense				
Current tax	G	2,404.37	-	2,404.37
Deferred tax	H	(119.55)	(143.51)	(263.06)
		2,284.81	(143.51)	2,141.30
Profit for the period		**5,618.12**	**(193.96)**	**5,424.16**

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₹ in Lakhs

Particulars	Note	Year ended 31.03.2018 Previous GAAP*	Adjustments on transition	Ind AS
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit asset/ (liability)		-	40.79	40.79
Income tax relating to items that will not be reclassified to profit or loss	G	-	11.88	11.88
Net other comprehensive income not to be reclassified subsequently to profit or loss		**-**	**28.91**	**28.91**
Items that will be reclassified subsequently to profit or loss		**-**	**-**	**-**
Net other comprehensive income to be reclassified subsequently to profit or loss		**-**	**-**	**-**
Other comprehensive income for the year, net of income tax		**-**	**28.91**	**28.91**
Total comprehensive income, net of income tax		**5,618.12**	**(222.87)**	**5,395.25**

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

Notes to the reconciliations

A. Impact on recognition of processing fee on financial assets 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 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 same.

D. Impact of application of Expected Credit Loss method for impairment allowance on receivables under financing activities

On transition to Ind AS, the Company has recognised impairment loss on receivables from financing activities measured at amortised cost based on the expected credit loss model as required by Ind AS 109. Consequently, receivables from financing activities 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:

₹ in Lakhs

Statement of profit and loss	Year ended 31.03.2018
Impact of application of Expected Credit Loss method for impairment allowance on receivables under financing activities	130.89
Suspended interest recognised in previous year written off	(115.34)
Adjustment before income tax	**15.55**

₹ in Lakhs

Balance sheet	Note	As at 01.04.2017	As at 31.03.2018
Impact on application of Expected Credit Loss method		(243.16)	(112.27)
Adjustment to retained earnings		(243.16)	(112.27)
Adjustment to Statement of profit and loss			(130.89)

E. Share based payment

The Company granted equity-settled share-based payments to certain employees. The Company accounted for these share-based payment arrangements based on accounting standards as per previous GAAP i.e., on a instrinsic value method. Under Ind AS, the related liability has been adjusted to reflect the fair value of the outstanding equity-settled shared-based payments and relevant reserve under "Other equity" - share options outstanding account has been recorded.

F. Impact of rent straight lining

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.

G. 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.

H.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.

48. Disclosures under Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016, as updated

A. Schedule to the Balance Sheet of a Non-Banking Financial Company as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

₹ in Lakhs

Particulars	As at 31.03.2019		As at 31.03.2018	
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
Liabilities side				
1. Loans and Advances availed by the non-banking financial company, inclusive of interest accrued thereon but not paid				
a. Debentures				
i. Secured	43,350.78	-	19,705.91	-
ii. Unsecured	-	-	-	-
b. Deferred Credits	-	-	-	-
c. Term Loans	48,608.78	-	28,589.67	-
d. Inter-corporate loans and borrowings	-	-	-	-
e. Commercial Paper	-	-	-	-
f. Public Deposits				
g. Other loans (Cash Credit & Working Capital Demand Loan)	-	-	-	-
Bank Borrowings	863.07	-	4,979.68	-
Loans from Directors / Relatives of Directors	67.04	-	72.99	-
2. Break-up of (1) (f) above (outstanding public deposits inclusive of interest accrued thereon but not paid) :				
a. In the form of Unsecured debentures	-	-	-	-
b. In the form of party secured debetures i.e debentures where there is a shortfall in the value of security	-	-	-	-
c. Other public deposits	-	-	-	-
Assets side				
3. Break-up of Loans and Advances, including Bills Receivables				
a. Secured			2,05,743.73	96,859.91
b. Unsecured			-	-
4. Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities				
(i). Leased assets including lease rentals under Receivables				
a. Financial lease			-	-
b. Operating lease			-	-
(ii) Stock on hire including hire charges under Receivables				
a. Assets on hire			-	-
b. Repossessed assets			-	-
(iii). Other loans counting towards AFC activities				
a. Loans where assets have been repossessed (net)			-	-
b. Loans other than (i) above			-	-

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
5. Break-up of Investments		
a. Current Investments		
1. Quoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities	-	-
v. Others	-	-
2. Unquoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities	-	-
v. Others	-	-
b. Long-term Investments		
1. Quoted		
i. Shares		
a. Equity	-	-
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities	-	-
v. Others	-	-
2. Unquoted		
i. Shares		
a. Equity	1,500.00	1,500.00
b. Preference	-	-
ii. Debentures and Bonds	-	-
iii. Units of Mutual Funds	-	-
iv. Government Securities	-	-
v. Others	-	-

6. Borrower group-wise classification of assets financed in 3 and 4 above

₹ in Lakhs

Category	Amount [Net of Provisions]					
	As at 31.03.2019			As at 31.03.2018		
	Secured	Unsecured	Total	Secured	Unsecured	Total
a. Related Parties						
i. Subsidiaries	-	-	-	-	19.90	19.90
ii. Companies in the same group	-	-	-	-	-	-
iii. Other Related Parties	-	-	-	-	-	-
b. Other than Related Parties	2,05,743.73	-	2,05,743.73	96,859.91	-	96,859.91
Total	**2,05,743.73**	**-**	**2,05,743.73**	**96,859.91**	**19.90**	**96,879.82**

7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

₹ in Lakhs

Category	As at 31.03.2019		As at 31.03.2018	
	Market value / breakup or Fair value or NAV	Book Value (Net of Provisions)	Market value / breakup or Fair value or NAV	Book Value (Net of Provisions)
a.Related Parties				
i. Subsidiaries	1,500.00	1,500.00	1,500.00	1,500.00
ii. Companies in the same group	-	-	-	-
iii. Other Related Parties	-	-	-	-
b. Other than Related Parties	-	-	-	-
Total	**1,500.00**	**1,500.00**	**1,500.00**	**1,500.00**

8. Other Informations

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
a.Gross Non-Performing Assets (stage 3 assets)		
i. Related Parties	-	-
ii. Other than Related Parties	1,806.55	1,752.22
b. Net Non-Performing Assets (stage 3 assets)		
i. Related Parties	-	-
ii. Other than Related Parties	1,393.16	1,387.48
c. Assets acquired in satisfaction of debt	-	-

B. Derivatives (Forward rate agreement / interest rate swap)

There has been no forward rate contracts / interest rate swaps or any other derivative transactions carried out by the Company during the year ended March 31, 2019 and March 31, 2018.

C. Investments

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
1. Value of Investments		
i. Gross value of investments		
a. In India	1,500.00	1,500.00
b. Outside India	-	-
ii. Provision for depreciation		
a. In India	-	-
b. Outside India	-	-
iii. Net value of investments		
a. In India	1,500.00	1,500.00
b. Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	-	-
ii. Add : Provisions made during the year	-	-
iii. Less : Write-off / write-back of excess provisions during the year	-	-
iv. Closing balance	-	-

D. Exposure to Real Estate Sector

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
1. Direct exposure		
i. Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	2,07,319.66	97,903.36
ii. Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.).	29.23	36.55
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
Total exposure to Real Estate sector (gross)	**2,07,348.89**	**97,939.91**

E. Customer Complaints

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	38	26
No. of complaints redressed during the year	38	26
No. of complaints pending at the end of the year	-	-

F. Exposure to Capital Market

The Company does not have any exposure to capital market and hence this disclosure is not applicable.

G. Concentration of Advances

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Total Advances during the year to twenty largest borrowers	788.00	814.00
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.54%	1.19%

H. Concentration of exposures

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Total exposure to twenty largest borrowers	861.78	1,770.20
Percentage of exposures to twenty largest borrowers to Total exposure of the NBFC	0.42%	1.81%

I. Concentration of NPAs (Stage 3 assets)

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Total exposure to top four NPA accounts	100.70	168.39

J. Ratings assigned by Credit Rating Agencies

The Credit Analysis & Research Limited (CARE), CRISIL Limited (CRISIL) and ICRA Limited (ICRA) have assigned ratings for the various facilities availed by the Company, details of which are given below:

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Commercial Paper		
- CARE	A1	A1
Long term Bank Facilities		
- CARE	A	A-
- ICRA	A	A-
Short term bank facilities		
- CARE	A1	A1
Non Convertible Debentures		
- CARE	A	A-
- ICRA	A	A-
- CRISIL	BBB+	BBB

K. Sector-wise Gross NPAs (Stage 3 assets)

₹ in Lakhs

Particulars	Percentage of NPA to Total Advances in that Sector	
	As at 31.03.2019	As at 31.03.2018
Agriculture & allied activities	-	-
MSME*	29.95%	10.44%
Corporate borrowers	-	-
Services*	0.95%	1.48%
Unsecured personal loans	-	-
Auto loans (commercial vehicles)	-	-
Other personal loans	0.53%	1.13%

* Represents small business loans given to borrowers involved in manufacturing/service sectors.

The above sector-wise NPA and advances is based on the data available with the company and filed with Reserve Bank of India, which has been relied upon by the auditors

L. Movement of NPAs (Stage 3 assets)

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Gross NPAs to Net Advances (%)	**0.87%**	**1.80%**
Net NPAs to Net Advances (%)	**0.67%**	**1.42%**
Movement of NPAs (Gross)		
(a) Opening balance	1,752.22	1,517.05
(b) Additions during the year	842.65	1,052.07
(c) Reductions during the year	612.94	363.90
(d) Write off	175.38	453.00
(d) Closing balance	1,806.55	1,752.22
Movement of Net NPAs		
(a) Opening balance	1,387.48	1,312.56
(b) Additions during the year	632.84	788.99
(c) Reductions during the year	627.16	714.07
(d) Closing balance	1,393.16	1,387.48
Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	364.74	204.49
(b) Provisions made during the year	209.80	263.08
(c) Write-off / write-back of excess provisions	161.15	102.83
(d) Closing balance	413.39	364.74

M. Other Regulator - Registration details

Regulator	Registration No.
i. Ministry of Corporate Affairs	U65991TN1984PLC010844
ii Reserve Bank of India	B-07.00286

N. Disclosure of penalties imposed by RBI and other regulators

There has been no penalty imposed by RBI and other regulators during the year ended March 31, 2019 and March 31, 2018.

O. Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL)

The Company has not exceeded the prudential exposure limits during the year ended March 31, 2019 and March 31, 2018.

P. Details of Securitisation

There has been no securitisation transaction done by the Company during the year ended March 31, 2019 and March 31, 2018.

Q. Overseas assets (for those with joint ventures and subsidiaries abroad)

The Company does not have any joint ventures and subsidiaries abroad during the year ended March 31, 2019 and March 31, 2018 and hence this disclosure is not applicable.

R. Details of financing of parent company products

The Company does not have a parent company and hence this disclosure is not applicable.

S. Details of non-performing financial assets purchased/ sold

The Company has not purchased any non-performing assets during the financial year ended 31 March 2019 and 31 March 2018.

T. Details of unsecured advances

The Company has not granted any advances against intangible securities (31 March 2018: Nil).

U. Off-balance sheet SPVs sponsored

There were no off –balance sheet SPVs sponsored by the Company during the year ended March 31, 2019 and March 31, 2018.

V. Asset Liability Management - Maturity pattern of certain items of assets and liabilities

As at March 31, 2019

₹ in Lakhs

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	741.13	1,181.41	1,359.84	4,303.26	6,854.98	19,816.92	3,540.00	-	37,797.53
Market Borrowings*	303.32	621.64	745.22	1,254.04	4,836.41	22,284.72	24,704.06	88.79	54,838.20
Assets									
Advances	3,689.00	2,526.00	2,562.00	7,877.00	14,485.00	66,849.00	67,151.00	45,269.00	2,10,408
Investments	718.48	-	-	-	-	-	-	1,500.00	2,218

As at March 31, 2018

₹ in Lakhs

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	438.44	680.52	3,609.24	3,854.17	3,718.95	12,314.18	1,287.81	-	25,903.30
Market Borrowings*	187.98	118.98	547.33	440.93	2,131.65	20,342.66	3,402.33	-	27,171.86
Assets									
Advances	2,906.75	1,432.12	1,452.64	4,476.70	8,319.88	35,100.48	28,531.64	15,354.96	97,575.18
Investments	8,206.97	-	3,000.00	-	-	-	-	1,500.00	12,706.97

* Market borrowings include borrowings from all sources other than banks.

W. Disclosures in respect of fraud as per the Master Directions DNBS. PPD.01/66.15.001/2016-17, dated 29 September 2016

₹ in Lakhs

Particulars	Less than INR 1 Lakh		More than INR 1 Lakh less than INR 25 Lakh		Above INR 25 Lakh		Total	
	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs	Number of Instances	₹ in lakhs
Person involved:								
Staff	-	-	5	5.86	-	-	5	5.86
Outsiders	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5**	**5.86**	**-**	**-**	**5**	**5.86**
Type of fraud:								
Cash Mishandling	-	-	5	5.86	-	-	5	5.86
Total	**-**	**-**	**5**	**5.86**	**-**	**-**	**5**	**5.86**

Note: The amount has been recovered fully and the above frauds have already been disclosed to the RBI.

X. Off-balance sheet SPVs sponsored

There were no off –balance sheet SPVs sponsored by the Company during the year ended March 31, 2019 and March 31, 2018.

Y. Draw down from reserves

The Company has not made any draw down from reserves during the year ended March 31, 2019 and March 31, 2018.

49. 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 Business Finance Limited
CIN : U65991TN1984PLC010844

K Raghuram
Partner
Membership No: 211171

D Lakshmipathy
Chairman & Managing Director
DIN No : 01723269

R Anand
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report

Independent Auditors' Report
To the Members of Five-Star Business Finance Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 consolidated state of affairs of the Group as at 31 March 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Adoption of new accounting framework (Ind AS) – refer note 3 to the consolidated financial statements	
Effective 1 April 2018, the Group adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017. The following are the major impact areas for the Group upon transition: • Classification and measurement of financial assets including assessment of the Business model and financial liabilities, • Measurement of loan losses (expected credit losses) • Accounting for loan fees and borrowing costs • Accounting for employee stock options	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Assessing the design, implementation and operating effectiveness of key internal controls over management's evaluation of transition date choices and controls surrounding computation process. • We have also confirmed the approvals of Audit Committee on the key transition date choices and assumptions. • Understood the methodology implemented by management to give impact on the transition and assessed the accuracy of the computations.

Key Audit Matter	How the matter was addressed in our audit
Adoption of new accounting framework (Ind AS) – refer note 3 to the consolidated financial statements (Continued)	
The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition including regulatory matter related compliances. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date. We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.	• Assessed areas of significant estimates and management judgment in line with principles under Ind AS.
Impairment of loans – refer note 6 to the consolidated financial statements **Significant estimate and judgement involved.**	
With the applicability of Ind AS 109 credit loss assessment is based on expected credit loss (ECL) model. The Group's impairment allowance is derived from estimates including the historical default, loss ratios etc. Management exercises judgement in determining the quantum of loss based on a range of factors. The determination of impairment loss allowance is inherently judgmental and relies on managements' best estimate due to the following: • Segmentation of loans given to the customer • Criteria selected to identify significant increase in credit risk • Increase in data inputs for capturing the historical data to calculate the Probability of Default ('PDs') and Loss Given Default ("LGD") and the completeness and accuracy of that data • Considering the probability weighted scenarios, the forward looking macro-economic factors We identified impairment of loans given to customers as key audit matter because the management judgement involved in estimates has significant impact, considering the size of loan portfolio relative to the balance sheet.	In view of the significance of the matter, we applied the following key audit procedures, among others to obtain sufficient appropriate audit evidence: • Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109. • Assessed the design and implementation and operating effectiveness in respect of computation of impairment allowance process. • As at the year end, evaluated whether the methodology applied by the Group is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including checking mathematical accuracy of the workings. We have engaged our modelling specialist to test the model methodology and reasonableness of assumptions used. Performed test of details, on a sample basis, on underlying data relating to segmentation, staging as at 31 March 2019, the key inputs for computation of ECL.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon
The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual 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 Standalone Financial Statements
The Holding 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 consolidated financial statements that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group 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 each 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 consolidate financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the respective management and Board of Directors of the Companies included in the Group are responsible for assessing the ability of each Company 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.

The respective Board of Directors of the companies is also responsible for overseeing the financial reporting process of each Company.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

• Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We communicate with those charged with governance of the Holding Company and subsidiary entity included in the consolidated financial statement 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 consolidated 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 Group for the year ended 31 March 2018 and the transition date opening balance sheet as at 1 April 2017 included in these consolidated financial statements, are based on the previously issued statutory consolidated 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 consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Group 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 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 Group so far as it appears from our examination of those books.

c). The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account.

d). In our opinion, the aforesaid consolidated 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 of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the subsidiary Company, none of the directors of the Group 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 consolidated financial statements of the Holding Company and its subsidiary company the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.

2. 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 Group has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its consolidated financial statements - Refer Note 34 to the consolidated financial statements;

ii. The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Group does not have any derivative contracts - Refer Note 6 and 30 to the consolidated financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. There are no amounts which is required to be transferred to the Investor Education and Protection Fund by the subsidiary company during the year ended 31 March 2019;

iv. The disclosures in the consolidated 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 consolidated financial statements since they do not pertain to the financial year ended 31 March 2019

3. With respect to the matter to be included in the Auditors’ Report under section 197(16):
In our opinion and according to the information and explanation given to us, the remuneration paid by the Holding Company to its directors during the year is in accordance with the provisions of
Section 197 of the Act. The remuneration paid to any Holding Company director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us. The Subsidiary company being a private company, the provisions of section 197 of the Act is not applicable.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

K Raghuram
Partner
Membership No: 211171

Place : Chennai
Date : May 14, 2019

Annexure A to the Independent Auditors' Report
To the Members of Five-Star Business Finance Limited for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid consolidated 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 consolidated financial statements of Five-Star Business Finance Limited ("the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") as of 31 March 2019 in conjunction with our audit of the consolidated financial statements of the Group for the year ended on that date.

In our opinion, the Holding Company and its subsidiary has, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by the such companies 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 respective 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 consolidated financial statements criteria established by the respective 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 Group's internal financial controls with reference to consolidated 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 consolidated 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 consolidated 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 consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated 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 consolidated 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 Group's internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated 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 consolidated 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 Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated 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 consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated 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 number: 101248W/W-100022

K Raghuram
Partner
Membership No: 211171

Place : Chennai
Date : May 14, 2019

Consolidated Balance Sheet as at March 31, 2019

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

₹ in Lakhs

Particulars	Note No.	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
ASSETS				
Financial Assets				
Cash and cash equivalents	04	21,960.84	13,137.94	18,413.79
Bank balances other than cash and cash equivalents	05	6.88	7.98	56.64
Loans	06	2,09,586.40	99,622.83	48,368.40
Investments	07	-	-	443.41
Other financial assets	08	290.78	251.65	168.63
Total		**2,31,844.90**	**1,13,020.40**	**67,450.87**
Non-financial Assets				
Current tax assets (net)	09	360.01	365.06	8.29
Deferred tax assets (net)	35	1,464.46	649.81	350.05
Investment property	10	3.56	3.56	3.56
Property, plant and equipment	12	744.41	450.75	446.57
Capital work-in-progress	12	-	14.13	-
Other intangible assets	13	201.80	181.09	35.98
Intangibles under development	13	-	-	158.11
Other non-financial assets	11	363.81	420.68	72.66
Total		**3,138.05**	**2,085.08**	**1,075.22**
Total Assets		**2,34,982.95**	**1,15,105.48**	**68,526.09**
LIABILITIES AND EQUITY				
Financial Liabilities				
Payables	14			
Trade payables				
Total outstanding dues of micro and small enterprises		-	-	-
Total outstanding dues of creditors other than micro and small enterprises		292.69	226.33	106.82
Debt securities	15	42,972.28	19,322.09	19,078.05
Borrowings (other than debt securities)	16	52,519.19	35,277.66	26,126.73
Other financial liabilities	17	518.36	440.09	380.10
Total		**96,302.52**	**55,266.17**	**45,691.70**

Non-financial Liabilities				
Current tax liabilities (net)	18	162.17	-	170.12
Provisions	19	376.26	174.55	76.64
Other non-financial liabilities	20	1,629.19	472.64	304.51
Total		**2,167.62**	**647.19**	**551.27**
Equity				
Equity share capital	21	2,389.96	1,916.89	1,426.51
Other equity	22	1,34,122.85	57,275.23	20,856.61
Total		**1,36,512.81**	**59,192.12**	**22,283.12**
Total Liabilities and Equity		**2,34,982.95**	**1,15,105.48**	**68,526.09**

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 Business Finance Limited
CIN : U65991TN1984PLC010844

K Raghuram
Partner
Membership No: 211171

D Lakshmipathy
Chairman & Managing Director
DIN No : 01723269

R Anand
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

K Rangarajan
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

Consolidated 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)

₹ in Lakhs

Particulars	Note No.	Year ended 31.03.2019	Year ended 31.03.2018
Revenue from operations			
Interest income	23	38,973.81	18,821.16
Dividend income	24	-	12.68
Fee income	25	1,327.05	468.25
Net gain on fair value changes	26	589.94	761.20
Total revenue from operations		**40,890.80**	**20,063.29**
Other income	27	1.86	1.55
Total Income		**40,892.66**	**20,064.84**
Expenses			
Finance Costs	28	7,592.20	5,698.30
Fees expenses	29	94.77	84.87
Impairment / write off on financial instruments	30	755.18	932.03
Employee benefits expenses	31	7,653.44	4,082.21
Depreciation and amortization	11 & 12	419.46	259.43
Other expenses	32	2,533.27	1,546.31
Total Expenses		**19,048.32**	**12,603.15**
Profit Before Tax		**21,844.34**	**7,461.69**
Tax expenses			
Current Tax	32 A	6,977.77	2,404.37
Deferred tax (net)	35	(799.16)	(287.65)
Total		**6,178.61**	**2,116.72**
Profit for the period		**15,665.73**	**5,344.97**

FINANCIAL STATEMENTS

	Note		
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit plan		53.55	41.61
Income tax relating to items that will not be reclassified to profit or loss		(15.49)	(12.11)
Net other comprehensive income not to be reclassified subsequently to profit or loss		**38.06**	**29.50**
Other comprehensive income / (deficit) for the year, net of income tax		**38.06**	**29.50**
Total comprehensive income		**15,627.67**	**5,315.47**
Earnings per equity share of Rs.10/- each	37		
- Basic (Rs.)		70.32	30.83
- Diluted (Rs.)		68.74	30.24

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Consolidated Statement of Changes in Equity for the period ended March 31, 2019

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

₹ in Lakhs

Particulars	Number of shares	Amount
A. Equity share capital		
Balance as at April 1, 2017	**1,42,65,052**	**1,426.51**
Add: Issued during the year	49,03,802	490.38
Balance as at March 31, 2018	**1,91,68,854**	**1,916.89**
Balance as at April 1, 2018	**1,91,68,854**	**1,916.89**
Add: Issued during the year	47,30,728	473.07
Balance as at March 31, 2019	**2,38,99,582**	**2,389.96**

FINANCIAL STATEMENTS

B. Other Equity

₹ in Lakhs

	Reserves and surplus					Other comprehensive income	Total
	Statutory reserve	Securities premium	Employee stock option reserve	General reserve	Retained earnings	Re-measurements of defined benefit plan	
As at April 1, 2017	**1,365.60**	**15,137.52**	**343.58**	**719.60**	**3,290.31**	**-**	**20,856.61**
Premium received on shares issued during the year	-	31,559.83	-	-	-	-	**31,559.83**
Utilised during the year for share issue expenses	-	(440.62)	-	-	-	-	**(440.62)**
Total comprehensive income for the year	-	-	-	-	5,344.97	(29.50)	**5,315.47**
Transfer to statutory reserve	1,124.00	-	-	-	(1,124.00)	-	**-**
Transfer to retained earnings	-	-	-	-	(29.50)	29.50	**-**
Share based payment expense	-	-	214.94	-	-	-	**214.94**
Utilised on issue	-	-	(231.00)	-	-	-	**(231.00)**
As at March 31, 2018	**2,489.60**	**46,256.73**	**327.52**	**719.60**	**7,481.78**	**-**	**57,275.23**
As at April 1, 2018	**2,489.60**	**46,256.73**	**327.52**	**719.60**	**7,481.78**	**-**	**57,275.23**
Premium received on shares issued during the year	-	61,558.73	-	-	-	-	**61,558.73**
Utilised during the year for share issue expenses	-	(501.53)	-	-	-	-	**(501.53)**
Total comprehensive income for the year	-	-	-	-	15,665.73	(38.06)	**15,627.67**
Transfer to statutory reserve	3,133.21	-	-	-	(3,133.21)	-	**-**
Transfer to retained earnings	-	-	-	-	(38.06)	38.06	**-**
Share based payment expense	-	-	267.83	-	-	-	**267.83**
Utilised on issue	-	-	(105.08)	-	-	-	**(105.08)**
As at March 31, 2019	**5,622.81**	**1,07,313.93**	**490.27**	**719.60**	**19,976.24**	**-**	**1,34,122.85**

See accompanying notes to the financial statements

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ACS: A51334

Place : Chennai
Date : May 14, 2019

Consolidated Cash Flow Statement for the year ended March 31, 2019

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

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
A. Cash Flow from Operating Activities		
Net Profit Before Tax	**21,844.34**	**7,461.69**
Adjustments for:		
Depreciation and amortization	419.46	259.43
Provision for gratuity	60.38	34.72
Provision for compensated absences	87.78	21.58
Provision for impairment on financial instruments and write-offs	755.18	932.03
Loss on sale/retirement of property, plant and equipment (net)	0.93	8.42
Profit on sale of current investments (net)	(589.94)	(761.20)
Interest income on deposits with banks / others	(1,352.38)	(801.34)
Finance costs	7,592.73	5,698.30
Employee stock option expenses	267.83	214.94
Operating cash flow before working capital changes	**29,086.31**	**13,068.57**
Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Loans	(1,10,718.76)	(52,186.45)
Other non- financial assets	(93.94)	(177.02)
Other financial assets	(82.16)	(55.78)
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	66.37	119.53
Other financial liabilities	(1.09)	1.34
Other non financial liabilities	1,156.54	168.13
Net cash (used in) operations	**(1,09,673.04)**	**(52,130.27)**
Finance cost paid	(7,715.55)	(5,633.86)
Direct Taxes paid (Net)	(6,810.55)	(2,931.26)
Net Cash Used in Operating Activities (A)	**(95,112.83)**	**(47,626.82)**
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(585.13)	(448.23)
Proceeds from sale of fixed assets	15.30	4.04
Profit on sale of current investments	589.94	761.20
(Purchase)/sale of current investments (net)	-	443.41
Interest income on deposits with banks / others	1,395.41	774.11
Movement in bank balances other than cash and cash equivalents	1.09	48.66
Net Cash from Investing Activities (B)	**1,416.61**	**1,583.19**
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares	473.07	490.38
Proceeds from securities premium (net off utilisation)	61,453.65	31,328.84
Expenses towards issue of shares	(501.53)	(440.62)
Fresh borrowings during the year	63,640.00	22,200.00
Repayments of borrowings (including processing fee)	(22,546.08)	(12,810.82)
Net Cash from Financing Activities (C)	**1,02,519.11**	**40,767.78**

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	**8,822.90**	**(5,275.85)**
Cash and Cash Equivalents at the beginning of the Year	13,137.94	18,413.79
Cash and Cash Equivalents at the end of the year	**21,960.84**	**13,137.94**

Notes to cash flow statement

1. Cash and cash equivalents

Cash on hand	345.07	168.10
Balances with banks		
(i) In current accounts	20,596.29	1,362.87
(ii) In other deposit accounts (original maturity less than 3 months)	1,019.48	11,606.97
Total	**21,960.84**	**13,137.94**

2. Change in liabilities arising from financing activities

Particulars	**Debt securities**	**Borrowings (other than debt securities)**
As at April 1, 2017	**19,078.05**	**26,126.73**
Cash flows (net)	280.18	9,109.00
Others*	(36.14)	41.93
As at March 31, 2018	**19,322.09**	**35,277.66**
Cash flows (net)	23,742.86	17,351.06
Others*	(92.66)	(109.53)
As at March 31, 2019	**42,972.29**	**52,519.19**

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

See accompanying notes to the financial statements

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Chief Financial Officer

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Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

Notes forming part of the consolidated financial statements for the year ended March 31, 2019

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

1. Reporting entity

Five-Star Business Finance Limited ("the Company"), is a public limited company domiciled in India, and incorporated under the provisions of Companies Act 1956. The Company is registered as a non-deposit taking Non-Banking Finance Company (NBFC). The Company has received the Certificate of Registration dated June 9, 2016 in lieu of Certificate of Registration dated December 3, 2002 from the Reserve Bank of India ("RBI") to carry on the business of Non Banking Financial Institution without accepting public deposits ("NBFC-ND"). The Company is primarily engaged in providing small business loans and loans for house renovations / extensions. These consolidated financial statements comprise the Company and its subsidiary (referred to collectively as the 'Group').

Name of the Company	Relationship	Percentage holding
Five-Star Housing Finance Private Limited*	Subsidiary	100%

* - a housing finance company registered with National Housing Bank (NHB) under section 29A of the National Housing Bank Act, 1987 with registration certificate dated May 3, 2016 to commence business of housing finance without accepting public deposits. The subsidiary is primarily engaged in the business of providing loans for the purchase or construction of residential houses.

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 Group'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 Reserve Bank of India (RBI) 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. The Company followed the prudential norms for the income recognition, asset classification and provisioning as prescribed by the its regulator.

As these are the Group'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 46.

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

Details of the Group's accounting policies are disclosed in note 3.

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') that are required to comply with Ind AS. The statement of cash flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

The Group 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 Group'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
Liabilities for equity-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations.

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.

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 Group 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 Group 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 Group’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 Group'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 which can result in different levels of allowances.

The Group'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 Group'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.

v). Provisions and other contingent liabilities

The Group 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 Group's business.

When the Group 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 Group 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 Group 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.

2.6. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at March 31, 2019. The Company consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31.

Consolidation procedure:

Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

Offset (eliminate) the carrying amount of the parent's portion of equity in subsidiary.

Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 Group 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 Group 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 Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue when (or as) the Group 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 Group 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.

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 Group 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 Group continues to calculate interest income on the gross carrying amount of the financial asset.

B. Dividend income
Dividend income is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

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

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

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

The Group'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 Group'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 Group's assessment.

SPPI test

As a second step of its classification process, the Group 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 Group 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 any of the above categories is 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 Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group 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 1, 2017.

3.5. Derecognition of financial assets and liabilities

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

The Group 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 Group 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 Group 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 Group 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 instrument)

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

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

Stage 1:

When loans are first recognised, the Group 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 Group 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 Group records an allowance for life time ECL.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group has access to at the measurement date. The Group 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. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group, at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.10. 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 Group 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. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iv. 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 Group 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
Vehicles	8 years
Furniture and fittings	10 years
Office equipment	5 years
Computers and accessories	3 years
Servers	6 years

Leasehold improvements are depreciated over the remaining period of lease or estimated useful life of the assets, whichever is lower. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

3.11. Intangible assets

i. Intangible assets

Intangible assets including those acquired by the Group are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

iv. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the written down value method, and is included in depreciation and amortisation in Statement of Profit and Loss.

Asset category	Estimated Useful life
Computer softwares	5 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Impairment of non-financial assets

The Group determines periodically whether there is any indication of impairment of the carrying amount of its non-financial assets. The recoverable amount (higher of net selling price and value in use) is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or group of assets. The recoverable amounts of such asset are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3.12. Employee benefits

i. Post-employment benefits

Defined contribution plan

The Group'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 Group'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 Group, 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 Group 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 Group 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 Group 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.

iv. Stock based compensation

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

3.13. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when the Group 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 Group 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 Group 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 Group. Contingent assets are neither recognised not disclosed in the financial statements.

3.14. 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.

3.15. 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.

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 Group 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 Group 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 Group 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.

3.16. 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.

3.17. 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.

3.18. Segment reporting- Identification of segments:

An operating segment is a component of the Group that engages in business activities from which it many earn revenues and incur expenses, whose operating results are regularly reviewed by the Group'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 Group's performance and allocates resources based on an analysis of various performance indicators by business segements and geographic segments.

3.19. Earnings per share

The Group 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 anti-dilutive.

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

3.21. 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 Group 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 Group 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 Group 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 Group shall recognise the income tax consequences of dividends in the statement of profit or loss, other comprehensive income or equity according to where the Group originally recognised those past transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the Group 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 Group 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 Group is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) Group 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 Group 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 Group 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 Group does not expect this amendment to have any significant impact on its financial statements.

Notes to the Ind AS consolidated financial statements for the year ended March 31, 2019

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

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
4. Cash and cash equivalents			
Cash on hand	345.07	168.10	102.56
Balances with banks			
(i) In current accounts	20,596.29	1,362.87	4,761.23
(ii) In other deposit accounts			
(original maturity less than 3 months)	1,019.48	11,606.97	13,550.00
Total	**21,960.84**	**13,137.94**	**18,413.79**
5. Bank Balances other than cash and cash equivalents			
Bank deposit with more than 12 month maturity	-	-	50.00
In earmarked accounts			
Unclaimed Dividend account	6.88	7.98	6.64
Total	**6.88**	**7.98**	**56.64**
6. Loans (At amotised cost)			
A. Based on nature			
Term Loans			
Gross term loans	**2,11,280.67**	**1,00,737.29**	**49,003.84**
Less: Impairment loss allowance	1,694.27	1,114.46	635.44
Net term loans	**2,09,586.40**	**99,622.83**	**48,368.40**
B. Based on security			
Secured by tangible assets	2,11,280.67	1,00,737.29	49,003.84
Unsecured	-	-	-
Gross term loans	**2,11,280.67**	**1,00,737.29**	**49,003.84**
Less: Impairment loss allowance	1,694.27	1,114.46	635.44
Net term loans	**2,09,586.40**	**99,622.83**	**48,368.40**
C. Based on region			
Loans in India			
Public sector	-	-	-
Others	2,11,280.67	1,00,737.29	49,003.84
Less: Impairment loss allowance	1,694.27	1,114.46	635.44
Total	**2,09,586.40**	**99,622.83**	**48,368.40**
Loans outside India	**-**	**-**	**-**
Less: Impairment loss allowance	-	-	-
	-	-	-
Total	**2,09,586.40**	**99,622.83**	**48,368.40**

Note:

Secured exposures are secured wholly by mortgage of property.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
7. 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	-	-	-
8. Other financial assets			
Unsecured, considered good			
Security deposits	254.28	191.74	135.20
Interest accrued but not due on deposits	4.89	47.92	20.69
Other receivables	31.61	11.99	12.74
Total	**290.78**	**251.65**	**168.63**
9. Current tax assets (net)			
Advance income tax, net of provision	360.01	365.06	8.29
Total	**360.01**	**365.06**	**8.29**
10. Investment Property			
Cost or deemed cost (Gross carrying amount)			
Balance at the beginning of the year	3.56	3.56	3.56
Acquisitions	-	-	-
Transfer from property, plant and equipment	-	-	-
Balance at the end of the year	**3.56**	**3.56**	**3.56**
Accumulated depreciation			
Balance at the beginning of the year	-	-	-
Depreciation for the year	-	-	-
Balance at the end of the year	**-**	**-**	**-**
Net carrying amounts	**3.56**	**3.56**	**3.56**
Fair value	**6.53**	**5.81**	**5.35**
11. Other non - financial assets			
Capital advances	24.49	175.30	4.30
Prepaid expenses	306.19	198.59	46.50
Balance with Government Authorities	33.13	46.79	21.86
Total	**363.81**	**420.68**	**72.66**

12. Property, plant and equipment and capital work-in-progress

₹ in Lakhs

Particulars	Furniture and fittings	Computers and accessories	Office equipments	Vehicles	Leasehold improvements	Total (A)	Capital work-in-progress (B)	Total
Cost or deemed cost (gross carrying amount)								
Balance at April 1, 2017	**128.15**	**50.74**	**33.23**	**39.26**	**195.19**	**446.57**	**-**	**446.57**
Additions / Transfer-in	84.67	125.01	20.26	-	2.60	232.54	14.13	246.67
Disposals / Transfer-out	10.79	0.02	1.52	-	0.13	12.46	-	12.46
As at March 31, 2018	**202.03**	**175.73**	**51.96**	**39.26**	**197.66**	**666.65**	**14.13**	**680.78**
Additions / Transfer-in	184.76	224.34	54.46	-	200.99	664.55	-	664.55
Disposals / Transfer-out	2.59	6.81	0.48	-	-	9.89	14.13	24.02
As at March 31, 2019	**384.20**	**393.26**	**105.94**	**39.26**	**398.65**	**1,321.31**	**-**	**1,321.31**
Accumulated depreciation								
Depreciation for the year	39.92	67.64	18.67	12.23	77.44	215.89	-	215.89
On disposals	-	-	-	-	-	-	-	-
As at March 31, 2018	**39.92**	**67.64**	**18.67**	**12.23**	**77.44**	**215.89**	**-**	**215.89**
Depreciation for the year	70.76	150.70	28.94	8.40	110.08	368.87	-	368.87
On disposals	1.46	6.18	0.24	-	-	7.87	-	7.87
As at March 31, 2019	**109.22**	**212.16**	**47.37**	**20.63**	**187.52**	**576.90**	**-**	**576.90**
Carrying amount (net)								
As at April 1, 2017	128.15	50.74	33.23	39.26	195.19	446.57	-	446.57
As at March 31, 2018	162.11	108.09	33.29	27.03	120.23	450.75	14.13	464.88
As at March 31, 2019	274.98	181.10	58.57	18.63	211.13	744.41	-	744.41

13. Intangible assets and intangibles under development

₹ in Lakhs

Particulars	Softwares	Total (A)	Intangibles under development (B)	Total (A) + (B)
Cost or deemed cost (gross carrying amount)				
Balance at April 1, 2017	**35.98**	**35.98**	**158.11**	**194.08**
Additions / Transfer-in	188.65	188.65	-	188.65
Disposals / Transfer-out	-	-	158.11	158.11
As at March 31, 2018	**224.63**	**224.63**	**-**	**224.63**
Additions / Transfer-in	71.39	71.39	-	71.39
Disposals / Transfer-out	0.10	0.10	-	0.10
As at March 31, 2019	**295.92**	**295.92**	**-**	**295.92**
Accumulated amortisation				
Amortisation for the year	43.54	43.54	-	43.54
On disposals	-	-	-	-
As at March 31, 2018	**43.54**	**43.54**	**-**	**43.54**
Amortisation for the year	50.59	50.59	-	50.59
On disposals	0.01	0.01	-	0.01
As at March 31, 2019	**94.12**	**94.12**	**-**	**94.12**
Carrying amount (net)				
As at April 1, 2017	35.98	35.98	158.11	194.08
As at March 31, 2018	181.09	181.09	-	181.09
As at March 31, 2019	201.80	201.80	-	201.80

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
14. Payables			
14.1. Trade payables			
total outstanding dues of micro and small enterprises	-	-	-
total outstanding dues of creditors other than micro and small enterprises	292.69	226.33	106.82
Total	**292.69**	**226.33**	**106.82**
15. Debt securities (refer note 16.1)			
At amortised cost			
Secured debentures			
2,000 (March 31, 2018 - 50, April 1, 2017 - Nil), 10.21% redeemable, non-convertible debentures of INR 10 lakh each	20,000.00	500.00	-
240, (March 31, 2018 - 240, April 1, 2017 - 240) 11.25% redeemable, non-convertible debentures of INR 10 lakh each	2,400.00	2,400.00	2,400.00
250, (March 31, 2018 - 250, April 1, 2017 - Nil) 11.00 % (March 31, 2018 -11.00%) redeemable, non-convertible debentures of INR 10 lakh each	2,500.00	2,500.00	-
300, (March 31, 2018 - 300, April 1, 2017 - 300) 13.60% redeemable, non-convertible debentures of INR 10 lakh each	1,714.28	2,571.43	3,000.00
450, (March 31, 2018 - 450, April 1, 2017 - 450) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	4,500.00	4,500.00	4,500.00
300, (March 31, 2018 - 300, April 1, 2017 - 300) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	3,000.00	3,000.00	3,000.00
2,250, (March 31, 2018 - 2,500, April 1, 2017 - 2,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	2,250.00	2,500.00	2,500.00
1,350, (March 31, 2018 - 1,500, April 1, 2017 - 1,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	1,350.00	1,500.00	1,500.00
550, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	5,500.00	-	-
Nil, (March 31, 2018 - Nil, April 1, 2017 - 25,000) 12.50% redeemable, non-convertible debentures of INR 100 each	-	-	25.00
4,450, (March 31, 2018 - 4,450, April 1, 2017 - 4,450) 12.50% redeemable, non-convertible debentures of INR 100 each	4.45	4.45	4.45
Commercial papers (Unsecured)	**-**	**-**	**2,266.25**
	43,218.73	**19,475.88**	**19,195.70**
Less: Unamortised processing fee	(246.45)	(153.79)	(117.65)
	42,972.28	**19,322.09**	**19,078.05**
Debts securities in India	42,972.28	19,322.09	19,078.05
Debts securities outside India	-	-	-
	42,972.28	**19,322.09**	**19,078.05**

Commercial papers (unsecured) issued at face value of INR 2,500 Lakhs were having an interest rate of 10.60% with a maturity of 364 days.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
16. Borrowings (other than debt securities)			
At amortised cost			
Term loans (secured)			
From banks	37,867.79	20,923.61	13,144.53
From other parties	13,950.18	9,419.18	10,621.37
Loans from related parties (unsecured)	65.65	71.57	91.37
Loans from others (unsecured)	3.64	5.23	11.50
Loans repayable on demand (secured)			
From banks	863.07	4,979.68	2,421.50
Total	**52,750.33**	**35,399.27**	**26,290.27**
Less: Unamortised processing fee	(231.14)	(121.61)	(163.54)
Total	**52,519.19**	**35,277.66**	**26,126.73**
Borrowings in India	52,519.19	35,277.66	26,126.73
Borrowings outside India	-	-	-
Total	**52,519.19**	**35,277.66**	**26,126.73**

Cash credit and working capital demand loans from banks are secured by specific charge on identified receivables. As at March 31, 2019, the rate of interest across the cash credit and working capital demand loans was in the range of 9.50% p.a to 12.00% p.a (March 31, 2018 - 9.00% p.a to 11.50% p.a April 1, 2017 - 11.00%p.a to 13.00%p.a).

The Company has not defaulted in the repayment of the borrowings (including debt securities).

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

₹ in Lakhs

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Secured Debentures					
1,350, (March 31, 2018 - 1,500, April 1, 2017 - 1,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	48 months	April 15, 2019	1,350.00	1,500.00	1,500.00
2,250, (March 31, 2018 - 2,500, April 1, 2017 - 2,500) 11.45% redeemable, non-convertible debentures of INR 1 lakh each	48 months	March 7, 2019	2,250.00	2,500.00	2,500.00
300, (March 31, 2018 - 300, April 1, 2017 - 300) 13.60% redeemable, non-convertible debentures of INR 10 lakh each	60 months	January 27, 2017	1,714.28	2,571.43	3,000.00
2,000 (March 31, 2018 - 50, April 1, 2017 - Nil), 10.21% redeemable, non-convertible debentures of INR 10 lakh each	60 months	June 28, 2022	20,000.00	500.00	-
300, (March 31, 2018 - 300, April 1, 2017 - 300) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	48 months	March 30, 2020	3,000.00	3,000.00	3,000.00
240, (March 31, 2018 - 240, April 1, 2017 - 240) 11.25% redeemable, non-convertible debentures of INR 10 lakh each	48 months	February 28, 2021	2,400.00	2,400.00	2,400.00
450, (March 31, 2018 - 450, April 1, 2017 - 450) 11.50% redeemable, non-convertible debentures of INR 10 lakh each	48 months	March 30, 2020	4,500.00	4,500.00	4,500.00
250, (March 31, 2018 - 250, April 1, 2017 - Nil) 11.00 % (March 31, 2018 -11.00%) redeemable, non-convertible debentures of INR 10 lakh each	72 months	March 30, 2023	2,500.00	2,500.00	-
500, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	36 months	April 29, 2021	5,000.00	-	-
50, (March 31, 2018 - Nil, April 1, 2017 - Nil) 12.64% redeemable, non-convertible debentures of INR 10 lakh each	36 months	April 29, 2021	500.00	-	-
Nil, (March 31, 2018 - Nil, April 1, 2017 - 25,000) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	February 28, 2018	-	-	25.00
420, (March 31, 2018 - 420, April 1, 2017 - 420) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	November 19, 2014	0.42	0.42	0.42
3,300, (March 31, 2018 - 3,300, April 1, 2017 - 3,300) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	April 14, 2015	3.30	3.30	3.30
450, (March 31, 2018 - 450, April 1, 2017 - 450) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	May 24, 2015	0.45	0.45	0.45
180, (March 31, 2018 - 180, April 1, 2017 - 180) 12.50% redeemable, non-convertible debentures of INR 100 each	12 months	August 2, 2013	0.18	0.18	0.18
100, (March 31, 2018 - 100, April 1, 2017 - 100) 12.50% redeemable, non-convertible debentures of INR 100 each	36 months	December 12, 2015	0.10	0.10	0.10
Total			**43,218.73**	**19,475.88**	**16,929.45**

All debentures are secured by pari passu charge on immoveable property and exclusive first charge on book debts.

₹ in Lakhs

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Term loans from banks					
Term Loan 1	48 months	April 15, 2017	1,000.00	1,500.00	-
Term Loan 2	60 months	March 3, 2019	3,736.67	-	-
Term Loan 3	36 months	May 1, 2019	3,000.00	-	-
Term Loan 4	60 months	June 30, 2019	5,000.00	-	-
Term Loan 5	36 months	February 5, 2018	2,361.12	-	-
Term Loan 6	36 months	April 5, 2018	1,047.10	1,500.00	-
Term Loan 7	36 months	May 5, 2018	724.32	1,000.00	-
Term Loan 8	48 months	April 30, 2017	500.00	750.00	1,000.00
Term Loan 9	48 months	April 23, 2018	739.13	1,000.00	-
Term Loan 10	60 months	December 5, 2015	20.47	31.31	41.19
Term Loan 11	36 months	May 7, 2017	399.55	727.74	1,000.00
Term Loan 12	60 months	July 28, 2016	238.31	346.97	439.19
Term Loan 13	36 months	May 28, 2018	1,333.33	2,000.00	-
Term Loan 14	36 months	December 13, 2016	136.36	681.82	1,227.27
Term Loan 15	36 months	September 30, 2017	1,323.53	2,382.35	-
Term Loan 16	36 months	May 21, 2018	1,352.94	2,000.00	-
Term Loan 17	42 months	September 30, 2018	4,125.00	-	-
Term Loan 18	36 months	May 18, 2019	5,000.00	-	-
Term Loan 19	36 months	August 9, 2017	208.33	375.00	500.00
Term Loan 20	60 months	May 2, 2016	237.35	340.76	429.92
Term Loan 21	60 months	March 28, 2018	333.33	444.44	500.00
Term Loan 22	60 months	April 30, 2017	2,381.50	3,224.07	4,000.00
Term Loan 23	36 months	May 5, 2018	1,736.12	-	-
Term Loan 24	48 months	March 31, 2016	-	303.57	517.86
Term Loan 25	36 months	February 15, 2015	-	-	124.97
Term Loan 26	60 months	October 31, 2015	-	550.00	750.00
Term Loan 27	60 months	December 31, 2016	-	732.80	933.20
Term Loan 28	48 months	July 31, 2015	-	166.16	281.24
Term Loan 29	48 months	October 31, 2017	-	866.62	-
Term Loan 30	36 months	September 21, 2014	-	-	41.67
Term Loan 31	36 months	June 15, 2015	-	-	233.33

₹ in Lakhs

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Term Loan 32	36 months	May 28, 2015	-	-	166.48
Term Loan 33	60 months	July 27, 2016	-	-	424.85
Term Loan 34	48 months	December 31, 2016	-	-	533.36
Term Loan 35	60 months	December 05, 2018	933.33	-	-
Total			**37,867.79**	**20,923.61**	**13,144.53**

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

Particulars	Tenor	Earliest installment date	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Term loans from others					
Term loans from other - 1	36 months	November 30, 2018	1,600.00	2,000.00	-
Term loans from other - 2	48 months	February 11, 2018	2,395.83	-	-
Term loans from other - 3	60 months	May 1, 2019	1,000.00	-	-
Term loans from other - 4	48 months	January 29, 2019	1,900.01	-	-
Term loans from other - 5	48 months	April 28, 2017	649.45	974.62	1,299.98
Term loans from other - 6	60 months	September 1, 2019	1,340.00	-	-
Term loans from other - 7	60 months	November 22, 2015	183.16	288.16	379.84
Term loans from other - 8	60 months	April 22, 2017	995.61	1,259.87	1,500.00
Term loans from other - 9	36 months	March 20, 2019	486.12	-	-
Term loans from other - 10	60 months	April 27, 2019	500.00	-	-
Term loans from other - 11	36 months	April 20, 2019	500.00	-	-
Term loans from other - 12	60 months	August 1, 2015	-	265.89	361.74
Term loans from other - 13	60 months	July 1, 2016	-	351.48	437.17
Term loans from other - 14	53 months	September 15, 2016	-	604.16	854.17
Term loans from other - 15	48 months	April 10, 2017	-	1,125.00	1,500.00
Term loans from other - 16	48 months	April 30, 2017	-	750.00	1,000.00
Term loans from other - 17	24 months	November 1, 2014	-	-	60.02
Term loans from other - 18	60 months	December 1, 2015	-	-	420.66
Term loans from other - 19	36 months	September 18, 2014	-	-	65.98
Term loans from other - 20	36 months	November 22, 2014	-	-	128.33
Term loans from other - 21	48 months	September 27, 2014	-	-	125.36
Term loans from other - 22	48 months	July 2, 2015	-	-	188.12
Term loans from other - 23	48 months	April 15, 2017	-	-	2,000.00
Term loans from other - 24	42 months	April 30, 2019	1,000.00	-	-
Term loans from other - 25	30 months	June 30, 2018	1,400.00	500.00	-
Term loans from other - 26	15 months	July 28, 2017	-	600.00	-
Term loans from other - 27	12 months	July 2, 2018	-	700.00	-
Term loans from other - 28	12 months	March 28, 2018	-	-	300.00
Total			**13,950.18**	**9,419.18**	**10,621.37**

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

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
17. Other financial liabilities			
Interest accrued but not due on borrowings	132.98	48.29	45.11
Interest accrued but not due on debt securities	378.50	383.82	328.35
Unpaid dividends	6.88	7.98	6.64
Total	**518.36**	**440.09**	**380.10**
18. Current tax liabilities (net)			
Provision for tax (net)	162.17	-	170.12
Total	**162.17**	**-**	**170.12**
19. Provisions			
Provision for employee benefits			
- Provision for gratuity	255.65	141.72	65.39
- Provision for compensated absences	120.61	32.83	11.25
Total	**376.26**	**174.55**	**76.64**
20. Other non-financial liabilities			
Statutory dues payable	314.93	182.09	57.02
Employee related payables	1,256.51	262.89	233.92
Rent straight lining	57.75	27.66	13.57
Total	**1,629.19**	**472.64**	**304.51**
21. Equity share capital			
Authorised			
30,000,000 shares (March 31, 2018 - 20,000,000, April 1, 2017 - 20,000,000) of INR 10 each	3,000.00	2,000.00	2,000.00
Issued, subscribed and fully paid up			
23,899,582 shares (March 31, 2018 - 19,168,854, April 1, 2017 - 14,265,052) of INR 10 each	2,389.96	1,916.89	1,426.51

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

	As at 31.03.2019		As at 31.03.2018	
	Number of shares	Amount in Lakhs of INR	Number of shares	Amount in Lakhs of INR
As at beginning of the year	1,91,68,854	1,916.89	1,42,65,052	1,426.51
Shares issued in exercise of employee stock options	43,900	4.39	1,88,500	18.85
Shares issued for cash	46,86,828	468.68	47,15,302	471.53
As at the end of the year	**2,38,99,582**	**2,389.96**	**1,91,68,854**	**1,916.89**

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

Shares reserved for issue under options

Information relating to Five- Star Associate Stock Option Scheme, 2015 and Five Star Associate Stock Option Scheme, 2018, including the details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 40.

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

Name of shareholder	As at 31.03.2019 Number of shares	As at 31.03.2019 % of total shares in class
NHPEA Chocolate Holding B.V	51,35,862	21.49
Matrix Partners India Investment Holdings II, LLC	41,00,999	17.16
TPG Asia VII SF Pte. Ltd.	31,11,933	13.02
Norwest Venture Partners X - Mauritius	25,69,650	10.75
SCI Investments V	25,69,650	10.75
D. Lakshmipathy	22,87,551	9.57
L. Hema	20,83,060	8.72

Name of shareholder	As at 31.03.2018 Number of shares	As at 31.03.2018 % of total shares in class
NHPEA Chocolate Holding B.V	44,69,560	23.32
Matrix Partners India Investment Holdings II, LLC	41,00,999	21.39
D. Lakshmipathy	23,76,150	12.40
L. Hema	20,81,060	10.86
Norwest Venture Partners X - Mauritius	20,01,779	10.44
SCI Investments V	20,01,779	10.44

Name of shareholder	As at 01.04.2017 Number of shares	As at 01.04.2017 % of total shares in class
Matrix Partners India Investment Holdings II, LLC	40,80,240	28.60
NHPEA Chocolate Holding B.V	35,65,052	24.99
D. Lakshmipathy	25,95,830	18.20
L. Hema	20,73,760	14.54

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
22. Other Equity			
Statutory reserve	5,622.81	2,489.60	1,365.60
Share options outstanding account	490.27	327.52	343.58
Securities premium	1,07,313.93	46,256.73	15,137.52
General reserve	719.60	719.60	719.60
Retained earnings	19,976.24	7,481.78	3,290.31
Other comprehensive income	-	-	-
Total	**1,34,122.85**	**57,275.23**	**20,856.61**

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
i. Statutory reserve		
Opening balance	2,489.60	1,365.60
Amount transferred from surplus in the statement of profit and loss	3,133.21	1,124.00
Closing balance	**5,622.81**	**2,489.60**

As per Section 45-IC of the Reserve Bank of India Act, 1934, and as per Section 29C of the National Housing bank Act, 1987, Five-Star Business Finance Limited and Five-Star Housing Finance Private Limited respectively are required to create a reserve fund at the rate of 20% of the net profit after tax of the Company every year. Also, as accordingly, the group has transferred an amount of INR 3,133.1 (March 31, 2018: INR 1,124), out of the profit after tax for the year ended March 31, 2019 to Statutory Reserve. No appropriation of any sum from this reserve fund shall be made by the non-banking financial company except for the purpose as may be specified by the regulators.

ii. Share options outstanding account		
Opening balance	327.52	343.58
Share based payment expense	267.83	214.94
Less : Transfer to securities premium	105.08	231.00
Less : Transfer to general reserve for lapse of options	-	-
Closing balance	**490.27**	**327.52**

The Company has established equity-settled share based payment plans for certain categories of employees of the Company. Refer note 40 for further details of these plans.

iii. Securities premium		
Opening balance	46,256.73	15,137.52
Premium on shares issued during the period	61,558.73	31,559.83
Less : Utilised during the year for share issue expenses	501.53	440.62
Closing balance	**1,07,313.93**	**46,256.73**

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with provisions of Companies Act, 2013.

iv. General reserve		
Opening balance	719.60	719.60
Amount transferred from surplus in the statement of profit and loss	-	-
Closing balance	**719.60**	**719.60**

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

v. Retained earnings		
Opening balance	7,481.78	3,290.31
Net Profit for the year	15,665.73	5,344.97
Less : Appropriations		
Transfer to Statutory reserve	3,133.21	1,124.00
Transfer from other comprehensive income	38.06	29.50
Closing balance	**19,976.24**	**7,481.78**

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

vi. Other comprehensive income		
Opening balance	-	-
Remeasurements of defined benefit asset/ (liability)	38.06	29.50
Transferred to retained earnings	(38.06)	(29.50)
Closing balance	**-**	**-**

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

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₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
23. Interest income		
(On financial assets measured at amortised cost)		
Interest on loans	37,621.43	18,019.82
Interest on deposits with banks	1,352.38	801.34
Total	**38,973.81**	**18,821.16**
24. Dividend income		
Dividend income	-	12.68
Total	**-**	**12.68**
25. Fee income		
Legal and inspection fees	1,272.87	385.55
Others charges	54.18	82.70
Total	**1,327.05**	**468.25**
26. 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	589.94	761.20
Total	**589.94**	**761.20**
Fair value changes		
Realised	589.94	761.20
Unrealised	-	-
Total	**589.94**	**761.20**
27. Other Income		
Other non-operating income	1.86	1.55
Total	**1.86**	**1.55**
28. Finance costs		
(On financial liabilities measured at amortised cost)		
Interest on borrowings		
- term loans from banks	2,668.11	2,050.26
- cash credits and overdraft	4.00	37.29
- term loans from others	948.79	1,098.58
Interest on debt securities	3,971.30	2,512.17
Total	**7,592.20**	**5,698.30**
29. Fees expenses		
Amortisation of ancillary costs relating to borrowings	94.77	84.87
Total	**94.77**	**84.87**

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
30. Impairment / write off on financial instruments		
(On financial assets measured at amortised cost)		
Impairment loss allowance on loans	579.80	479.02
Loans written off	175.38	453.01
Total	**755.18**	**932.03**
31. Employee benefits expenses		
Salaries, wages and bonus	6,798.80	3,554.84
Contribution to provident and other funds	465.68	245.10
Employee stock option expenses	267.83	214.94
Staff welfare expenses	121.13	67.33
Total	**7,653.44**	**4,082.21**
32. Other expenses		
Rent	428.07	250.52
Rates and taxes	197.19	209.69
Electricity expenses	55.26	32.34
Repairs and maintenance	187.51	88.44
Communication costs	262.32	135.53
Printing and stationery	199.47	109.64
Advertisement and publicity	6.28	36.08
Directors fees, allowances and expenses	11.05	7.30
Auditor's fees and expenses	27.56	16.80
Legal and professional charges	679.09	228.27
Insurance	9.01	4.81
Corporate social responsibility expenses	10.00	5.00
Travel expenses	135.18	132.56
Information technology expenses	225.31	205.07
Loss on sale of property, plant and equipment	0.98	8.74
Bank charges	47.45	25.54
Customer referral expenses	25.32	4.29
Miscellaneous expenses	26.20	45.69
Total	**2,533.27**	**1,546.31**
32. A. Income tax		
i. Current tax	6,977.78	2,404.37
ii. Deferred tax		
Attributable to - Origination and reversal of temporary differences	(799.17)	(287.65)
Tax expense (i)+(ii)	**6,178.61**	**2,116.72**
32. B. Income tax recognized in other comprehensive income		
Re-measurements of the defined benefit plan	53.55	41.61
Income tax relating to items that will not be reclassified to profit or loss	(15.49)	(12.11)
Net of tax	**38.06**	**29.50**

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₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
32.1. Reconciliation of total tax expense		
Profit before tax	21,844.34	7,461.69
Computed tax expense	6,361.07	2,151.95
Tax effect of :		
Permanent differences		
Deduction u/s 80JJAA of the Income Tax Act, 1961	168.86	64.04
Disallowance related to CSR expenditure	(1.46)	(1.46)
Others	11.34	(22.02)
Income tax expense recognised in statement of profit and loss	**6,178.61**	**2,116.72**
Effective tax rate	28.28%	28.37%

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
33. Commitments			
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	3.95	59.38	-
34. Contingent liabilities			
Claims against the Company not acknowledged as debt			
- Income tax related matters (excluding penalties and interest)	6.74	6.74	6.74
- 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.

35. Deferred tax assets / (liability):			
In relation to :			
Difference between written down value of fixed assetsas per books of accounts and income tax	69.52	32.76	30.45
Employee Benefits	159.30	50.78	26.38
Preliminary expenses	1.06	2.28	-
Impairment on financial instruments	342.87	191.84	171.19
Unamortised processing fee income	1,030.39	452.27	224.19
Unamortised processing fee expenses	(138.69)	(80.12)	(99.63)
Fair value of investment	-	-	(2.53)
Total	**1,464.46**	**649.81**	**350.05**

Movement in Deferred tax assets

₹ in Lakhs

Particulars	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 as per books of accounts and income tax	30.45	2.31	-	32.76
Employee Benefits	26.38	12.29	12.11	50.78
Preliminary expenses	-	2.28	-	2.28
Impairment on financial instruments	171.19	20.65	-	191.84
Unamortised processing fee income	224.19	228.08	-	452.27
Unamortised processing fee expenses	(99.63)	19.51	-	(80.12)
Fair value of investment	(2.53)	2.53	-	-
Total	**350.05**	**287.65**	**12.11**	**649.81**
For the year ended March 31, 2019 :				
Difference between written down value of fixed assets as per books of accounts and income tax	32.76	36.76	-	69.52
Employee Benefits	50.78	93.03	15.49	159.30
Preliminary expenses	2.28	(1.21)	-	1.06
Impairment on financial instruments	191.84	151.03	-	342.87
Unamortised processing fee income	452.27	578.12	-	1,030.39
Unamortised processing fee expenses	(80.12)	(58.57)		(138.69)
Total	**649.81**	**799.16**	**15.49**	**1,464.46**

36. Operating Lease

The company has operating lease agreement primarily for office premises. The leases typically run for a period of 3 to 9 years, with an option to renew the lease after that period.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
i. Amount recognized in profit or loss		
Minimum lease payments	428.07	250.52

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
ii. Future minimum lease payments			
Payable within one year	423.55	239.15	127.14
Payable between one and five years	1,238.42	1,593.81	429.97
Payable after five years	110.70	134.73	59.48

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
37. Earnings per share		
Profit after tax	15,665.73	5,344.97
Weighted Average Number of Equity Shares in calculation of basic earnings per share	2,22,76,811	1,73,37,381
Dilution on account of ESOP and share warrants	5,14,492	3,37,193
Weighted Average Number of Equity Shares in calculation of diluted earnings per share	2,27,91,303	1,76,74,574
Basic earnings per share	70.32	30.83
Diluted earnings per share	68.74	30.24

38. Segment Information

An operating segment is a component of the group 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 group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the group'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 group on a holistic basis to make operating decisions and thus there are no segregated operating segments. The group is primarily engaged in providing small business loans and loans for house constructions/ renovations / extensions etc. The CODM of the group reviews the operating results of the group as a whole and therefore not more than one reportable segment is required to be disclosed by the group 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 group 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.

39. Employee benefits - post employment benefit plans

A. Defined contribution plans

The Group makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised INR 229.59 lakhs (year ended March 31, 2018 - INR 139.11 lakhs) for provident fund contributions, and INR 138.74 lakhs (year ended March 31, 2018 - INR 86.76 lakhs) for employee state insurance scheme contributions in the statement of profit and loss. The contributions payable to these plans by the Group are at rates specified in the rules of the schemes.

B. Defined benefit plans

Gratuity

The Group 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, an 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 Group 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 Group 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 Group 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.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Present value of obligations	255.65	141.72
Fair value of plan assets	-	-
Asset/ (Liability) recognised in the balance sheet	**(255.65)**	**(141.72)**
B. Defined benefit plans		
Reconciliation of present value of defined benefit obligation		
Balance at the beginning of the year	141.72	65.39
Benefits paid	(3.44)	-
Current service cost	53.40	20.02
Past service cost	-	10.18
Interest cost	10.42	4.51

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₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018
Actuarial (gain)/loss recognized in other comprehensive income		
changes in demographic assumptions	(38.15)	-
changes in financial assumptions	56.34	31.31
experience adjustments	35.36	10.30
Balance at the end of the year	**255.65**	**141.71**
Expense recognized in profit or loss		
Current service cost	53.40	20.02
Interest cost	10.42	4.51
Past service (gain)/ loss	-	10.18
Total	**63.82**	**34.71**
Remeasurements recognized in other comprehensive income		
Actuarial (gain) loss on defined benefit obligation	(53.55)	(41.61)
Return on plan assets excluding interest income	-	-
Total	**(53.55)**	**(41.61)**
Actuarial assumptions		
Discount rate	6.88% - 7.30%	7.44%
Future salary growth	15.00%	10.00%
Attrition rate	12.00% - 25.00%	15.00%

Five year information

₹ in Lakhs

Gratuity	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017	As at 31.03.2016	As at 31.03.2015
Defined benefit obligation	255.65	141.72	65.39	44.29	30.75
Fair value of plan assets	-	-	-	-	-
Deficit in plan	(255.65)	(141.72)	(65.39)	(44.29)	(30.75)
Experience adjustments on plan liabilities	(36.61)	(10.59)	(10.92)	(6.07)	(5.65)
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:

Discount rate		
-1% increase	(12.07)	(8.43)
-1% decrease	13.20	9.45
Future salary growth		
-1% increase	12.01	8.70
-1% decrease	(11.27)	(8.02)
Attrition rate		
-1% increase	(6.72)	(2.36)
-1% decrease	7.23	2.50

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

40. Share Based Payments

A. Five-Star Associate Stock Option Scheme, 2015

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015" or "The Scheme") was taken by the Board of Directors at the meeting held on 18th September 2015, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 12th April 2016. The total options issuable under the plan are upto 5,63,000 options. Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plan. Under the plan, the participants are granted options which vest as per the schedule provided in the Grant Letter given to each of the participants. The time period for exercise of these options is defined in the Scheme document.

i. Reconciliation of outstanding share options

₹ in Lakhs

	As at 31.03.2019		As at 31.03.2018	
	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	Number of options
Outstanding at beginning of year	46.22	3,62,000	20.34	4,82,500
Forfeited during the year	-	-	-	-
Exercised during the year	61.15	43,900	10.20	1,88,500
Granted during the year	130.00	6,500	130.00	68,000
Outstanding as at end of year	50.03	3,24,600	46.22	3,62,000
Exercisable at end of the year	21.75	1,16,400	10.00	8,000

The weighted average share price at the date of exercise of options exercised during the year ended ended March 31, 2019 is Rs.1326.89/- (March 31, 2018 : 674.40/-)

ii. Expense recognised in the statement of profit and loss

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
Total Expense	267.83	214.94

iii. Measurement of fair values

The fair value of options have been estimated on the dates of each grant using the Black Scholes model. The various inputs considered in the pricing model for the stock options granted by the Company are as follows:

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Weighted average share price	698.00	653.49	146.65
Share price on Grant date	698.00	674.40	130-319
Exercise price	130.00	130.00	130.00
Fair value of options at grant date	595.47 - 620.03	215.86 - 594.95	122.19 - 242.19
Expected volatility	29.28% - 30.89%	27.09% - 31.08%	26.84% - 30.68%
Option term	3.54-7.54 years	3.54-7.54 years	3.54-7.54 years
Expected dividends	Nil	Nil	Nil
Risk free interest rate	6.70% - 6.75%	6.00% - 6.25%	6.75%- 7.00%
Weighted average remaining contractual life (in years)	6.2	6.28	5.5

41. Related party disclosures
a. Name of the related parties and nature of relationship

Key Management Personnel :
D. Lakshmipathy, Chairman and Managing Director
K.Rangarajan, Chief Executive Officer (from May 22, 2018)
G. Srikanth, Chief Financial Officer
B. Shalini, Company Secretary

Director and relative of Key Management Personnel / Director
L. Hema, Wife of Mr. D. Lakshmipathy
R. Deenadayalan, Father of Mr. D. Lakshmipathy
D. Varalakshmi, Mother of Mr.D. Lakshmipathy
B Sudha, Sister of Mr. D. Lakshmipathy
L.Srishti, Daughter of Mr. D.Lakshmipathy
L.Shritha, Daughter of Mr.D. Lakshmipathy
Mr. Ravi Prasad, Director
R. Bhuvaneswari, Wife of Mr. Ravi Prasad
L.R.Deepak Krishna, Son of Mr. Ravi Prasad
L.R.Venkatesh, Son of Mr. Ravi Prasad
H.Srinivasan, Son of Mr.Hari Babu

Entities with substantial interest over the company
Matrix Partners India Investment Holdings II, LLC (upto August 3, 2018)
M/s.NHPEA Chocolate Holding B.V.

b. Key management personnel compensation

₹ in Lakhs

Particulars	Year ended 31.03.2019	Year ended 31.03.2018
D. Lakshmipathy, Chairman and Managing Director	344.44	226.67
K.Rangarajan, Chief Executive Officer	181.67	-
G.Srikanth, Chief Financial Officer	99.00	110.61
B.Shalini, Company Secretary	5.24	3.74

Managerial remuneration above does not include gratuity and leave encashment benefit, since the same is computed actuarially for all the employees and the amount attributable to the managerial person cannot be ascertained separately.

c. Details of related party transactions

₹ in Lakhs

Nature of transaction	As at 31.03.2019	As at 31.03.2018
Interest expense		
L. Hema	0.01	0.03
L.Srishti	-	0.01
L.Shritha	-	0.02
D. Varalakshmi	-	0.12
B.Sudha	0.06	1.45
K.Boopathi	0.27	0.89
R.Bhuvaneshwari	0.13	0.13
L.R.Deepak Krishna	3.94	3.95
L.R. Ravi Prasad	0.35	0.35
L.R. Venkatesh	3.13	3.13

₹ in Lakhs

Nature of transaction	As at 31.03.2019	As at 31.03.2018
Rent		
D. Lakshmipathy	-	2.55
Refund of rent advance		
D. Lakshmipathy, Chairman and Managing Director	-	3.35
Issue of equity shares		
Matrix Partners India Investment Holdings II, LLC	-	2.08
NHPEA Chocolate Holding B.V.	66.63	90.45
Receipt of share premium		
Matrix Partners India Investment Holdings II, LLC	-	137.92
NHPEA Chocolate Holding B.V.	8,733.35	6,009.55
Loans repaid		
L. Hema	0.10	0.10
L.Srishti	-	0.10
L.Shritha	-	0.10
D. Varalakshmi	-	1.50
B. Sudha	1.00	13.00
K.Boopathi	4.50	3.00
R.Bhuvaneshwari	-	-
L.R.Deepak Krishna	-	1.00
L.R. Venkatesh	-	1.00
H.Srinivasan	0.32	-
Year end balances : Borrowings		
L. Hema	-	0.10
B. Sudha	-	1.00
K.Boopathi	-	4.50
R.Bhuvaneshwari	1.15	1.15
L.R.Deepak Krishna	34.30	34.30
L.R. Ravi Prasad	3.00	3.00
L.R. Venkatesh	27.20	27.20
H.Srinivasan	-	0.32

42. Capital

The Group maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the regulators. The adequacy of the Group's capital is monitored using, among other measures, the regulations issued by the regulators.

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

Capital management

The primary objectives of the Group's capital management policy is to ensure that the group 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 Group 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 Group 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 group monitors the capital on the basis of gearing ratio (Net debt divided by equity). Under the terms of the major borrowing facilities, the group is required to maintain the gearing ratio in line with the statutory guidelines or in a slightly more conservative manner. The actual gearing stipulated differs between the various lending agreements. The group has complied with this covenant through out the year.

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Debt	95,491.47	54,599.75	45,204.78
Cash and Cash equivalents	21,960.84	13,137.94	18,413.79
Net Debt	73,530.63	41,461.81	26,791.00
Net Debt to Equity Ratio	0.54	0.70	1.20

45. 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:

₹ in Lakhs

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	21,960.84	-	-	21,960.84
Bank balances other than cash and cash equivalents	6.88	-	-	6.88
Loans	2,09,586.40	-	-	2,09,586.40
Other financial assets	290.78	-	-	290.78
Total	**2,31,844.90**	**-**	**-**	**2,31,844.90**
Liabilities:				
Trade payables	292.69	-	-	292.69
Debt securities	42,972.28	-	-	42,972.28
Borrowings (Other than debt securities)	52,519.19	-	-	52,519.19
Other financial liabilities	-	-	518.36	518.36
Total	**95,784.16**	**-**	**518.36**	**96,302.52**

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

₹ in Lakhs

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	13,137.94	-	-	13,137.94
Bank balances other than cash and cash equivalents	7.98	-	-	7.98
Loans	99,622.83	-	-	99,622.83
Other financial assets	251.65	-	-	251.65
Total	**1,13,020.40**	**-**	**-**	**1,13,020.40**
Liabilities:				
Trade payables	226.33	-	-	226.33
Debt securities	19,322.09	-	-	19,322.09
Borrowings (Other than debt securities)	35,277.66	-	-	35,277.66
Other financial liabilities	-	-	440.09	440.09
Total	**54,826.08**	**-**	**440.09**	**55,266.17**

The carrying value and fair value of financial instruments by categories as of April 01, 2017 were as follows:

₹ in Lakhs

Particulars	Carrying amount			
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Total carrying value
Assets:				
Cash and cash equivalents	18,413.79	-	-	18,413.79
Bank balances other than cash and cash equivalents	56.64	-	-	56.64
Loans	48,368.40	-	-	48,368.40
Investments	-	443.41	-	443.41
Other financial assets	168.63	-	-	168.63
Total	**67,007.46**	**443.41**	**-**	**67,450.87**
Liabilities:				
Trade payables	106.82	-	-	106.82
Debt securities	19,078.05	-	-	19,078.05
Borrowings (Other than debt securities)	26,126.73	-	-	26,126.73
Other financial liabilities	-	-	380.10	380.10
Total	**45,311.60**	**-**	**380.10**	**45,691.70**

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.

44. Financial risk management objectives and policies
The Group'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 Group's operations and to support its operations. The Group's financial assets include loan and advances, cash and cash equivalents that derive directly from its operations. The group's acitivities exposed 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 Group manages the risk.

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

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, 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 Group’s activities. The Group, 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 Group’s risk management council oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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 Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group'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 Group 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 the return.

Interest rate risk

Interest rate risk primarily arises from borrowings with variable rates. The Group'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:

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Fixed rate instruments			
Financial assets	2,10,605.88	1,11,229.80	61,968.40
Financial liabilities	63,640.81	29,210.44	29,782.68
Total	**2,74,246.70**	**1,40,440.25**	**91,751.09**
Variable rate instruments			
Financial assets	-	-	-
Financial liabilities	31,850.66	25,389.30	15,422.10
Total	**31,850.66**	**25,389.30**	**15,422.10**

Cash flow sensitivity analysis for variable-rate instruments:

₹ in Lakhs

	Profit / loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31-Mar-19				
Variable-rate instruments	(48.32)	48.32	(35.06)	35.06
Cash flow sensitivity (net)	(48.32)	48.32	(35.06)	35.06
31-Mar-18				
Variable-rate instruments	(30.20)	30.20	(21.60)	21.60
Cash flow sensitivity (net)	(30.20)	30.20	(21.60)	21.60

(ii) Credit risk

Loans and advances

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans advances and other financial assets. The carrying amount of financial assets represents the maximum credit exposure. The Group has Credit policy approved by the Board of Directors, which is subject to annual review. The Group 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 Group 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 Group 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 Group'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 Group has worked out on PD based on the last six years 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.

Staging of loans:

Definition of default and cure

The Group 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 Group'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, Group assesses whether there is a significant increase in credit risk at the reporting date from the initial recognition. Group 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

Group's internal rating and PD estimation process

The Group'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 Group 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 Group 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 Group 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 Group 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 Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group 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 Group 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 Group calculates ECL on a collective basis for all asset classes.

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

- Geographic location
- Loan type
- Ticket size

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 31.03.2019	As at 31.03.2018	As at 01.04.2017
Stage 1	12 month provision	0.15%	0.24%	0.25%
Stage 2	Life time provision	4.58%	4.14%	5.86%
Stage 3	Life time provision	23.14%	20.77%	13.53%

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 Group'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:

₹ in Lakhs

Particulars	As at 31.03.2019				As at 31.03.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**85,955.10**	**13,021.04**	**1,761.16**	**1,00,737.29**	**41,902.21**	**5,590.54**	**1,511.09**	**49,003.84**
Asset derecognised or repaid (excluding write-off)	(10,843.06)	(2,349.86)	(176.68)	(13,369.60)	(5,540.77)	(922.93)	(289.79)	(6,753.49)
Assets partially repaid	(7,896.32)	(2,271.11)	-	(10,167.43)	(5,121.89)	(1,047.94)	(49.88)	(6,219.71)
Roll forwards to higher stages	(11,453.82)	(608.04)	-	(12,061.86)	(8,295.38)	(513.34)	-	(8,808.72)
Roll forward from lower stages	-	11,285.94	775.92	12,061.86	-	7,859.69	948.89	8,808.58
Roll back from higher stages	-	(1,898.41)	(327.64)	(2,226.05)	-	(1,594.86)	(111.54)	(1,706.40)
Roll back to lower stages	1,993.21	232.84	-	2,226.05	1,620.86	85.54	-	1,706.40
Amount written off	-	-	(175.38)	(175.38)	-	-	(336.66)	(336.66)
New assets originated	1,30,125.23	4,120.74	9.81	1,34,255.78	61,390.07	3,564.34	89.05	65,043.46
Gross carrying amount closing balance	**1,87,880.35**	**21,533.13**	**1,867.19**	**2,11,280.67**	**85,955.10**	**13,021.04**	**1,761.16**	**1,00,737.29**
Reconciliation of ECL balance is given below								
ECL allowance - opening balance	**208.92**	**539.69**	**365.86**	**1,114.46**	**103.22**	**327.73**	**204.49**	**635.44**
Addition during the year	99.99	545.88	144.30	790.17	119.79	264.66	245.81	630.26
Reversal / Utilization during the year	(32.27)	(99.98)	(78.11)	(210.36)	(14.09)	(52.70)	(84.44)	(151.23)
Closing provision of ECL	**276.64**	**985.59**	**432.05**	**1,694.27**	**208.92**	**539.69**	**365.86**	**1,114.46**

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3.5 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:

₹ in Lakhs

ECL Scenario	As at 31.03.2019	As at 31.03.2018
Best case	1,378.65	953.50
Base case	1,642.87	1,090.70
Worst case	2,018.03	1,271.67

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 107.77 Lakhs (March 31, 2018: INR 285.12 Lakhs).

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

₹ in Lakhs

Geography	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Tamil Nadu	1,00,925.01	55,982.84	34,159.81
Karnataka	11,354.30	4,106.80	1,185.78
Andhra Pradesh	62,278.32	30,405.97	12,528.11
Telangana	34,402.67	10,241.68	1,130.14
Others	2,320.37	-	-
Total	**2,11,280.67**	**1,00,737.29**	**49,003.84**

Cash and bank balances

The Group 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 Group does not expect any losses from non-performance by these counter-parties

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is bound to comply with the Asset Liability Management guidelines issued by the regulators. The Group has Asset Liability Management policy approved by the board and has constituted Asset Liability Committee to oversee the liquidity risk management function of the Group. The Group’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 Group’s reputation.

The Group's principal sources of liquidity are borrowings, cash and cash equivalents and the cash flow that is generated from operations.

The Group believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. In addition, the Group maintains the following undrawn borrowing facilities :

₹ in Lakhs

Particulars	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
Cash Credit facilities	1,836.93	770.32	528.50
Others	57,000.00	21,500.00	1,100.00
Total	**58,836.93**	**22,270.32**	**1,628.50**

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:

₹ in Lakhs

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt Securities	42,972.28	4,233.75	10,796.15	27,942.38	-
Borrowings (Other than Debt Securities)	52,519.19	19,031.87	16,966.03	16,432.50	88.79
Trade payables	292.69	292.69	-	-	-
Other financial liabilities	518.36	518.36	-	-	-
Total	**96,302.52**	**24,076.67**	**27,762.17**	**44,374.88**	**88.79**
Financial Assets					
Cash and cash equivalents	21,960.84	21,960.84	-	-	-
Bank Balances other than cash and cash equivalents	6.88	6.88	-	-	-
Loans	2,09,586.40	28,526.34	32,391.54	1,02,143.34	46,525.18
Other Financial assets	290.78	290.78	-	-	
Total	**2,31,844.90**	**50,784.84**	**32,391.54**	**1,02,143.34**	**46,525.18**

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

₹ in Lakhs

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt Securities	19,322.09	1,213.42	4,284.50	13,824.17	-
Borrowings (Other than Debt Securities)	35,277.66	15,899.57	9,804.06	9,574.03	-
Trade payables	226.33	226.33	-	-	-
Other financial liabilities	440.09	440.09	-	-	-
Total	**55,266.17**	**17,779.41**	**14,088.56**	**23,398.21**	**-**
Financial Assets					
Cash and cash equivalents	13,137.94	13,137.94	-	-	-
Bank Balances other than cash and cash equivalents	7.98	7.98	-	-	-
Loans	99,622.83	20,453.30	16,744.69	45,902.86	16,521.97
Other Financial assets	251.65	251.65	-	-	-
Total	**1,13,020.40**	**33,850.87**	**16,744.69**	**45,902.86**	**16,521.97**

The table below provides details regarding the contractual maturities of financial liabilities and assets including interest as at April 01, 2017:

₹ in Lakhs

	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial Liabilities					
Debt Securities	19,078.05	2,686.93	1,225.85	15,165.27	-
Borrowings (Other than Debt Securities)	26,126.73	9,218.92	5,973.87	10,933.94	-
Trade payables	106.82	106.82	-	-	-
Other financial liabilities	380.10	380.10	-	-	-
Total	**45,691.70**	**12,392.77**	**7,199.72**	**26,099.21**	**-**
Financial Assets					
Cash and cash equivalents	18,413.79	18,413.79	-	-	-
Bank Balances other than cash and cash equivalents	56.64	6.64	50.00	-	-
Loans	48,368.40	9,265.17	9,571.73	23,984.18	5,547.32
Investments	443.41	443.41	-	-	-
Other Financial assets	168.63	168.63	-	-	-
Total	**67,450.87**	**28,297.64**	**9,621.73**	**23,984.18**	**5,547.32**

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 Group to repay the liability earlier than indicated in the above table.

45. Explanation of transition to Ind AS

As stated in Note 2A, these are the Group's first financial statements prepared in accordance with Ind AS. For the year ended March 31, 2018, the Group had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, 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 Group has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Group in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows.

Optional exemptions availed and mandatory exceptions

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

A. Optional exemptions availed

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 Group has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The same election has been made in respect of intangible also.

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 Group'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 Group 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 Group comprising of NBFC and HFC is required to assess the impairment of financial assets based upon the new model i.e. ECL instead of rule based guidance (Prudential Norms) as prevailed under previous GAAP.

Accordingly, the Group has applied the impairment requirement of Ind-AS 109 on all financial assets recognised as per Ind-AS 109 retrospectively except:

1. The Group 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 Group 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 Group 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 Group shall recognise a loss amount equal to life time expected losses at each reporting date till the financial asset is derecognised.

Accordingly, the Group has developed ECL model for testing of impairment of loans.

Reconciliation of equity

₹ in Lakhs

Particulars	Note	As at the date of transition April 1, 2017			As at 31.03.2018		
		Previous GAAP*	Adjustments on transition	Ind AS	Previous GAAP*	Adjustments on transition	Ind AS
Assets							
Financial Assets							
Cash and cash equivalents		18,413.79	-	18,413.79	13,137.94	-	13,137.94
Bank balances other than cash and cash equivalents		56.64	-	56.64	7.98	-	7.98
Loans	A,B	48,969.27	(600.87)	48,368.40	1,00,967.94	(1,345.11)	99,622.83
Investments	I	434.31	9.10	443.41	-	-	-
Other financial assets		169.79	(1.16)	168.63	254.10	(2.45)	251.65
Total		**68,043.79**	**(592.92)**	**67,450.87**	**1,14,367.96**	**(1,347.56)**	**1,13,020.40**
Non - Financial Assets							
Current tax assets (net)		8.29	-	8.29	365.06	-	365.06
Deferred tax assets (net)	G	246.16	103.88	350.05	373.10	276.71	649.81
Investment property		3.56	-	3.56	3.56	-	3.56
Property, plant and equipment		446.57	-	446.57	450.75	-	450.75
Capital work-in-progress		-		-	14.13		14.13
Intangibles under development		158.11	-	158.11	-	-	-
Other intangible assets		35.98	-	35.98	181.09	-	181.09
Other non-financial assets		72.66	-	72.66	420.68	-	420.68
Total		**971.33**	**103.88**	**1,075.22**	**1,808.37**	**276.71**	**2,085.08**
Total		**69,015.12**	**(489.03)**	**68,526.09**	**1,16,176.33**	**(1,070.85)**	**1,15,105.48**
LIABILITIES AND EQUITY							
Financial Liabilities							
Payables							
Trade payables							
-total outstanding dues of micro and small enterprises		-			-		
-total outstanding dues of creditors other than micro and small enterprises		106.82	-	106.82	226.34	0.00	226.33
Debt securities	C	19,195.70	117.64	19,078.05	19,475.88	153.78	19,322.09
Borrowings (other than debt securities)	C	26,290.27	163.54	26,126.73	35,399.27	121.61	35,277.66
Other financial liabilities		380.10	-	380.10	440.09	-	440.09
Total		**45,972.88**	**281.18**	**45,691.70**	**55,541.57**	**275.40**	**55,266.17**

₹ in Lakhs

Particulars	Note	As at the date of transition April 1, 2017			As at 31.03.2018		
		Previous GAAP*	Adjustments on transition	Ind AS	Previous GAAP*	Adjustments on transition	Ind AS
Non-Financial Liabilities							
Current tax liabilities (Net)		170.12	-	170.12	-	-	-
Provisions		76.64	-	76.64	174.55	-	174.55
Other Non-financial liabilities	E	290.94	(13.57)	304.51	444.79	(27.85)	472.64
		537.70	**(13.57)**	**551.27**	**619.34**	**(27.85)**	**647.19**
Equity							
Equity share capital		1,426.51	-	1,426.51	1,916.89	-	1,916.89
Other equity		21,078.02	221.41	20,856.61	58,098.53	823.30	57,275.23
Total		**22,504.53**	**221.41**	**22,283.12**	**60,015.42**	**823.30**	**59,192.12**
Total		**69,015.12**	**489.03**	**68,526.09**	**1,16,176.33**	**1,070.85**	**1,15,105.48**

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

Total equity (shareholder's funds) as per previous GAAP

₹ in Lakhs

Particulars	Note	As at 01.04.2017	As at 31.03.2018
Total equity (shareholder's funds) as per previous GAAP		**22,504.53**	**60,015.42**
Impact on recognition of processing fee on financial assets under effective interest rate	A	(652.73)	(1,555.81)
Impact on recognition of processing fee on financial liabilities under effective interest rate	C	281.19	275.39
Recognition of suspended interest income (net)	B	296.37	339.41
Impact of application of Expected Credit Loss method for impairment allowance on receivables under financing activities	D	(244.51)	(128.89)
Fair valuation of investment	I	9.10	-
Others	E,F	(14.73)	(30.10)
Tax Impact on above adjustments		103.90	276.70
Adjustment to retained earnings		**(221.41)**	**(823.30)**
Total equity (shareholder's funds) as per Ind AS		**22,283.12**	**59,192.12**

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

₹ in Lakhs

Particulars	Note	As at 31.03.2018		
		Previous GAAP*	Adjustments on transition	Ind AS
Revenue from operations				
Interest income	A,B	19,565.86	(744.70)	18,821.16
Dividend income		12.68	-	12.68
Fee income		468.25	-	468.25
Net gain on fair value changes		770.30	(9.10)	761.20
Total revenue from operations		**20,817.09**	**(753.80)**	**20,063.29**
Other income		1.55	-	1.55
Total		**20,818.64**	**(753.80)**	**20,064.84**
Expenses				
Finance costs	C	5,692.51	5.79	5,698.30
Fees expenses		84.87	-	84.87
Impairment / write off on financial instruments	D	932.32	(0.28)	932.03
Employee benefits expenses	E	4,457.70	(375.49)	4,082.21
Depreciation and amortization		259.43	-	259.43
Other expenses	F	1,530.93	15.38	1,546.31
Total expenses		**12,957.76**	**(354.61)**	**12,603.15**
Profit before tax		**7,860.88**	**(399.19)**	**7,461.69**
Tax expense				
Current tax	G	2,404.37	0.01	2,404.37
Deferred tax	H	(126.94)	(160.71)	(287.65)
		2,277.43	(160.70)	2,116.72
Profit for the period		**5,583.45**	**(238.49)**	**5,344.97**

₹ in Lakhs

Particulars	Note	As at 31.03.2018 Previous GAAP*	Adjustments on transition	Ind AS
Other comprehensive income				
Items that will not be reclassified to profit or loss	G			
Remeasurements of the defined benefit asset/ (liability)		-	41.61	41.61
Income tax relating to items that will not be reclassified to profit or loss	G	-	(12.11)	(12.11)
Net other comprehensive income not to be reclassified subsequently to profit or loss		**-**	**29.50**	**29.50**
Other comprehensive income for the year, net of income tax	**-**	**29.50**	**29.50**	
Total comprehensive income, net of income tax		**5,583.45**	**(267.99)**	**5,315.47**

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

Notes to the reconciliations

A. Impact on recognition of processing fee on financial assets under effective interest rate

On transition to Ind AS, the Group 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 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 same.

D. 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:

₹ in Lakhs

Statement of profit and loss	As at 31.03.2018
Impact of application of Expected Credit Loss method for impairment allowance on receivables under financing activities	115.62
Suspended interest recognised in previous year written off	(115.34)
Adjustment before income tax	**0.28**

₹ in Lakhs

Balance sheet	Note	As at 01.04.2017	As at 31.03.2018
Impact on application of Expected Credit Loss method		(244.51)	(128.89)
Adjustment to retained earnings		(244.51)	(128.89)
Adjustment to Statement of profit and loss			(115.62)

Notes to the reconciliations

E. Share based payment

The Company granted equity-settled share-based payments to certain employees. The Company accounted for these share-based payment arrangements based on accounting standards as per previous GAAP i.e., on a instrinsic value method. Under Ind AS, the related liability has been adjusted to reflect the fair value of the outstanding equity-settled shared-based payments and relevant reserve under "Other equity" - share options outstanding account has been recorded.

F. Impact of rent straight lining

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.

G. 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.

H. 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.

I. Fair valuation of investment

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.

46. Additional information as required under schedule III of the Company Act, 2013

₹ in Lakhs

Particulars	As at / for the year ended March 31, 2019			
	Net Assets i.e. total assets minus total liabilities		Share in Total Comprehensive Income	
Name of the entity	As a percentage of consolidated assets	Amount	As a percentage of consolidated total comprehensive income	Amount
Parent - Five-Star Business Finance Limited	98.90	1,35,008.35	1.00	15,594.18
Subsidiary - Indian : Five-Star Housing Finance Private Limited	1.10	1,504.46	0.00	33.47
Total	**100.00**	**1,36,512.81**	**1.00**	**15,627.67**

₹ in Lakhs

Particulars	As at / for the year ended March 31, 2018			
	Net Assets i.e. total assets minus total liabilities		Share in Total Comprehensive Income	
Name of the entity	As a percentage of consolidated assets	Amount	As a percentage of consolidated total comprehensive income	Amount
Parent - Five-Star Business Finance Limited	97.51	57,721.14	1.02	5,395.24
Subsidiary - Indian : Five-Star Housing Finance Private Limited	2.49	1,470.98	(0.02)	(79.77)
Total	**100.00**	**59,192.12**	**1.00**	**5,315.47**

47. 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.

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 Business Finance Limited
CIN : U65991TN1984PLC010844

K Raghuram
Partner
Membership No: 211171

D Lakshmipathy
Chairman & Managing Director
DIN No : 01723269

R. Anand
Director
DIN No : 00243485

G Srikanth
Chief Financial Officer

Rangarajan K
Chief Executive Officer

B Shalini
Company Secretary
ACS: A51334

Place : Chennai
Date : May 14, 2019

FORM AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiary

Part - A: Subsidiary

₹ in Lakhs

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Five-Star Housing Finance Private Limited
	CIN	U74900TN2015PTC102366
	NHB Registration No.	05.0134.16
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3.	Reporting currency and exchange rate as on the last date of the relevant Financial year in case of foreign subsidiaries	NA
4.	Share Capital	1,500
5.	Reserves & Surplus	4.48
6.	Total Assets	4878.62
7.	Total Liabilities	3374.41
8.	Investments	NIL
9.	Turnover	727.39
10.	Profit / Loss tax	45.63
11.	Tax Expenses	9.58
12.	Profit / Loss tax	36.05
13.	Other Comprehensive income	-2.56
14.	Total Comprehensive income	33.49
15.	Proposed dividend	NIL
16.	% of shareholding	100%

FIVE STAR

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