

**FINANCING Solutions**

Aditya Birla Finance Limited



**ADITYA BIRLA  
CAPITAL**

**ADITYA BIRLA FINANCE LIMITED**

ANNUAL REPORT  
2017-18



## **ADITYA BIRLA FINANCE LIMITED**

**Registered Office: Indian Rayon Compound, Veraval,**

**Dist. Gir Somnath, Gujarat – 362 266**

**CIN: U65990GJ1991PLC064603**

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### **BOARD OF DIRECTORS**

Mr. B. N. Puranmalka

Mr. Ajay Srinivasan

Mr. Darius J. Kakalia

Mr. Ashwani Puri

Mr. Jitender Balakrishnan

Ms. Alka Bharucha

Mr. Baldev Raj Gupta

Ms. Vijayalakshmi Iyer (appointed w.e.f. October 26, 2017)

### **KEY MANAGERIAL PERSONNEL**

Mr. Rakesh Singh

Chief Executive Officer

Mr. Sekhar Mosur

Manager

Mr. Sanjay Miranka

Chief Financial Officer

Mr. Ankur Shah

Company Secretary

### **AUDITORS**

S R Batliboi & Co. LLP, Mumbai  
14th Floor, The Ruby Mills  
Senapati Bapat Marg, Dadar (West)  
Mumbai 400028  
Ph: +91 22 6192 0000

### **DEBENTURE TRUSTEE**

Vistra ITCL (India) Ltd.  
Plot C-22, G- Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 052  
Ph: +91 22 2653 3333

## **Management Discussion & Analysis**

### **Overview of global economy**

The world economy gained momentum witnessing its strongest, most broad-based and synchronised growth uptick since the global financial crisis. Most regions of the world including major economies of US, Eurozone, China and Japan witnessed growth acceleration.

Our baseline expectation is that the global economy will continue to show steady expansion in 2018-19 and grow at a rate closer to IMF's forecast of 3.9%. The key risks to the global economy are sharp escalation in trade protectionism, geo-political tensions, sharp rise in global bond yields, rising crude prices and inflation.

### **Overview of Indian Economy**

The Indian economy started FY18 amidst challenges posed by balance sheet deleveraging, the impact of demonetisation, and GST. Growth in Q1FY18 was the lowest in 13 quarters at 5.7%. However, the economy picked up thereafter, growing steadily through the year and is expected to have grown at ~6.5% in FY18. Besides the headline numbers, the composition of growth was quite positive with pickup in manufacturing and capital formation, which reflect the beginning of revival in the investment cycle. A variety of data points like IIP, infrastructure index, PMI, auto sales, cement consumption, and non-oil non-gold imports attested to the broadbased pickup in growth momentum. Indian equities reflected the growth uptick, rallying along with global equity markets.

Inflation remained well contained except for a brief uptick in food inflation in Nov-Jan period. Average inflation in FY18 was 3.6%, lower than RBI's target of 4%, despite the statistical impact of pay commission HRA award on headline inflation. Core inflation remained well contained. However, there is an upside risk to inflation in FY19 owing to the likely impact of higher MSP, higher crude price, growth uptick and weakness in INR. Bond yields started to rise from August owing to the uptick in growth, some fiscal slippage, and prospect of higher inflation down the line. The interest rates after seeing a bottom in December 2017 are expected to harden hereon.

We remain positive about growth prospects in FY19 and expect economic growth to rise to 7.25%. The last few years have been one of structural reforms (e.g. GST and Banking reforms) and macro-stabilisation (lower twin deficits and higher real rates) for Indian economy. This has laid the foundation for a sustained and durable growth recovery and made the economy much better positioned to withstand domestic and global shocks. We believe that the economy is now moving from stabilization to recovery phase, and is on course to a healthy cyclical recovery.

### **Industry structure and developments**

NBFCs play an important role in the Indian financial system by complementing and competing with banks. Their presence also improves efficiency and brings diversity into financial intermediation. NBFCs role in promoting financial inclusion and catering to the needs of small businesses and specialized segments gives an additional dimension to its existence. NBFCs have expanded their share in total credit extended by banks and NBFCs from 9.5% in March 2008 to 15.5% in March 2017 (Source: RBI). NBFC's registered a credit growth of 14.9% during H1 FY18 while bank credit grew at 6.2% during the same period (Source: RBI).

As NBFCs continue to expand their role in the financial system, regulations relating to governing them are being increasingly harmonized with those of banks to establish the right balance for financial stability while encouraging them to focus and grow in specialized areas.

Key developments during FY2018:

- Resolution of stressed assets: The enactment of the Insolvency and Bankruptcy Code (IBC), 2016 and promulgation of the Banking Regulation (Amendment) Act, 2017 has significantly revamped the financial landscape, while exhibiting the resolve to tackle the stress on balance sheets of banks and corporates in a time bound and effective manner.
- Revised Prompt Corrective Action (PCA) Framework: RBI's precautionary approach to recognition and resolution of financial distress at its nascent stage with the revised PCA framework, is intended to instill confidence in the system that accumulation of excessive financial imbalances in the future will be prevented.
- The asset classification norms for NBFCs-ND-SI and NBFCs-D are being brought in line with that of banks, in a phased manner.
- Ombudsman scheme for customers of NBFCs to provide customers with expeditious redressal mechanism.
- Issuance of a comprehensive Information Technology Framework for NBFC-ND to be adopted by June 30, 2018.

## **Opportunities and Threats**

### **Opportunities**

- Under-penetration of financial services / products in India.
- Brand strength and extensive reach of the Aditya Birla Group.
- Introduction of array of new products in MSME, Retail and micro SME to meet the varied requirements of customers.

### **Threats**

- Competition from local and multinational players
- Attraction and retention of human capital

## **Business Overview and Performance**

Headquartered in Mumbai, Aditya Birla Finance Limited ("the Company / ABFL") ranks among the top five largest private diversified NBFCs in India based on AUM as of March 31, 2017 (Source: CRISIL). It offers end-to-end lending, financing and wealth management solutions to a diverse set of customers. The Company caters to the following diverse set of customers:

- Large Corporates
- Mid Corporates
- SME
- Ultra HNI
- Retail / HNI / Business Owner / Micro Enterprises

The overall loan portfolio of the Company grew from Rs 34,703 Crore in FY17 to Rs 43,242 Crore in FY18, a growth of 25%. Wealth management business assets under advice (AuA) has grown to Rs 14,911 Crore. Customer segment wise portfolio growth as compared to previous year is given below:

(Rs in crore)

<b>Customer Segment</b>	<b>March 2018</b>	<b>March 2017</b>	<b>%</b>
Large Corporate	14,426	13,189	9.38
Mid Corporate	7,281	5,569	30.76
SME	11,368	9,409	20.82
Ultra HNI	3,919	3,438	14.01
Retail	4,815	2,271	112.01
Others	1,432	828	72.99
<b>Total</b>	<b>43,242</b>	<b>34,703</b>	<b>24.61</b>
Wealth management (AuA)	14,911	13,518	10.31

**i) Large Corporate Segment:**

ABFL serves large corporates across sectors such as manufacturing, infrastructure, hospitality, education, healthcare etc. It caters to this segment with term loans as well as customized and innovative products such as structured finance. ABFL also provides project finance to large corporates. ABFL further offers debt syndication services. ABFL helps the large corporate clients' treasuries by offering third party investment products such as mutual funds, commercial papers, NCDs and alternate assets. Through its dedicated DCM desk, ABFL offers innovative structures and products to its large corporate clients.

The portfolio base for this segment was at Rs. 13,189 Crore at the beginning of the year. With a net addition of Rs. 1,237 Crore of assets, it closed the year at Rs. 14,426 Crore, thereby registering 9.38% growth in FY17-18. This segment's contribution to the total loan book reduced from 38% in FY17 to 33% in FY18. This is in line with the Company's objective to diversify and improve granularity of its loan book. We continue to see opportunities in this space but believe the segment will grow slower than some others.

**ii) Mid Corporates Segment:**

Mid-corporate clients seek customized and innovative solutions to meet their long term working capital requirements, short term business loans, acquisition finance and other investment requirements, apart from the conventional balance sheet loans. ABFL caters to this segment with products and solutions like term loan, structured finance and construction finance. ABFL also offers debt syndication services by underwriting and syndicating loan transactions. Further, ABFL helps the treasuries of mid-corporate companies by offering third party investment products such as mutual funds, commercial papers, NCDs and alternate assets through its wealth management services. Further, through a dedicated DCM desk, ABFL offers innovative structures and products to this customer segment.

This segment registered a healthy growth rate of 30.76% during the year with portfolio growing from Rs 5,569 Crore as on March 31, 2017 to Rs 7,281 Crore as on March 31, 2018. This segment's contribution to the total loan book expanded from 16% in FY17 to 17% in FY18.

**iii) SME Segment:**

ABFL caters to the needs of this segment arising from business financing requirements through solutions like term loans, LAP and broker funding. ABFL also caters to demand arising out of working capital requirements through its solutions like vendor financing and channel financing. ABFL offers products like Lease rental discounting (LRD) to enable clients to finance business expansion and asset creation by monetizing and unlocking value of their property with rent from lessees becoming the source of repayment.

With the Indian economy expected to emerge as one of the leading economies in the world, major impetus is being given to the SME sector which acts as the backbone of the Indian economy. ABFL reaches out to this segment through relationship managers to meet their financing needs.

This segment registered a strong growth rate of 20.82% to achieve a closing portfolio of Rs 11,368 Crore as on March 31, 2018 from Rs. 9,409 Crore as on March 31, 2017. This segment contributed 26% to total loan book of the company as on March 31, 2018.

**iv) Ultra HNI Segment:**

This segment caters to ultra high net worth individuals including promoters of companies. ABFL offers funding against financial securities to meet needs to expand and grow by starting new operations, entering new markets and introducing new products or increasing stake in their companies through warrants conversion, subscribing to rights issues, equity infusion in other business. Company provides solutions in the form of LAP, LAS, IPO financing to allow this segment to raise funds quickly against security of shares, mutual fund units, bonds, or a combination thereof. It also offers debt syndication services by underwriting and syndicating loan transactions along with wealth management solutions through distribution of third party investment products.

The HNI loan book grew at 14.01% during the year to reach Rs 3,919 Crore as on March 31, 2018 from Rs 3,438 Crore as on March 31, 2017. This segment contributed 9% to total loan book of the company as on March 31, 2018.

**v) Retail Segment:**

ABFL caters to retail / HNI / business owner / micro enterprise segments to fulfil their business, personal and investment needs of customers and to help them meet their expansion plans, asset acquisition and other contingencies or any unexpected liquidity crunch. It has built an entire spectrum of lending, financing and wealth management solutions including (i) loans against property ("LAP"), (ii) unsecured personal loans, (iii) unsecured business loans, (iv) loan against securities ("LAS") which can be availed against marketable securities, (v) IPO financing which offer customers an opportunity to leverage their funds in primary markets to increase allotment quantum in IPO, and (vi) ESOP financing to employees of listed corporates with flexible repayment options. ABFL also offers wealth management solutions to such customers through distribution of third party products.

The Company has created a unique online financing platform with lead acquisition, assessment and servicing performed through an all-digital route. This platform, called ABFLDirect.com, caters to demand from MSME and retail customers.

This segment has more than doubled its portfolio, growing at rate of 112.01%, from Rs 2,271 Crore as on March 31, 2017 to Rs 4,815 Crore as on March 31, 2018. This segment's contribution expanded from 7% in FY17 to 11% in FY18.

### **Wealth management**

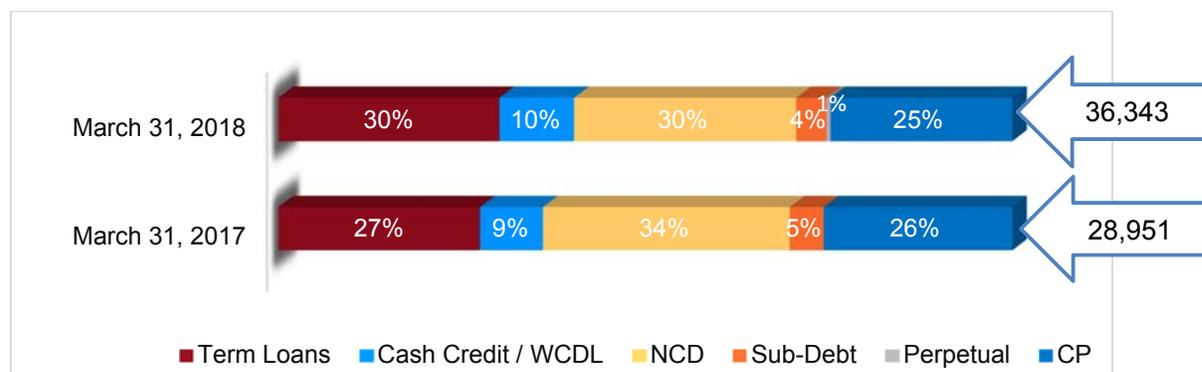
AuA under Wealth Management has grown at a rate of 10.31% from Rs 13,518 Crore as on March 31, 2017 to Rs 14,911 Crore as on March 31, 2018. The wealth management division of the Company operates through 3 business segments:

- Wealth Management**  
 Wealth Management segment (WMS) caters to the requirements of Individual HNI's and UHNI's and aims to provide customized investment options to meet their long term goals.
- Business Partner Group**  
 The Business Partner Group (BPG) caters to the IFA's and Channel Partners who work as agents for the organization to sell and advise 3rd party financial products. Business partner works to boost sales, decrease time to market and provide access to competitive markets without the infrastructure cost.
- Corporate and Treasury Services**  
 The Corporate and Treasury Services (CTS) caters to the requirements of SMEs, Mid and Large Corporate and aims to provide customized Investment solutions to meet their short and long term investment requirements. This business works to develop and execute thoughtful investment solutions for the diverse corporate client base through our research and advisory.

### **Liability Management**

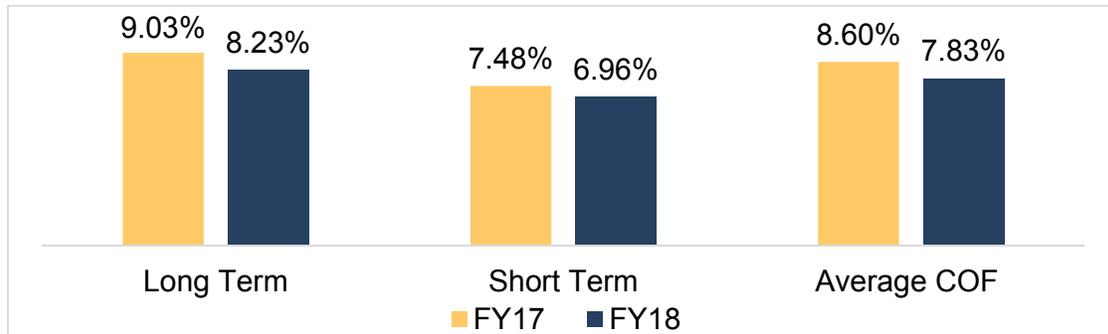
#### **Borrowing Profile**

During the year, the borrowing mix of the Company underwent a change, with increased borrowing from the debt markets, resulting in the share of debt market borrowings going up from 64% to 68%, on a larger volume of borrowing. The same is illustrated below:

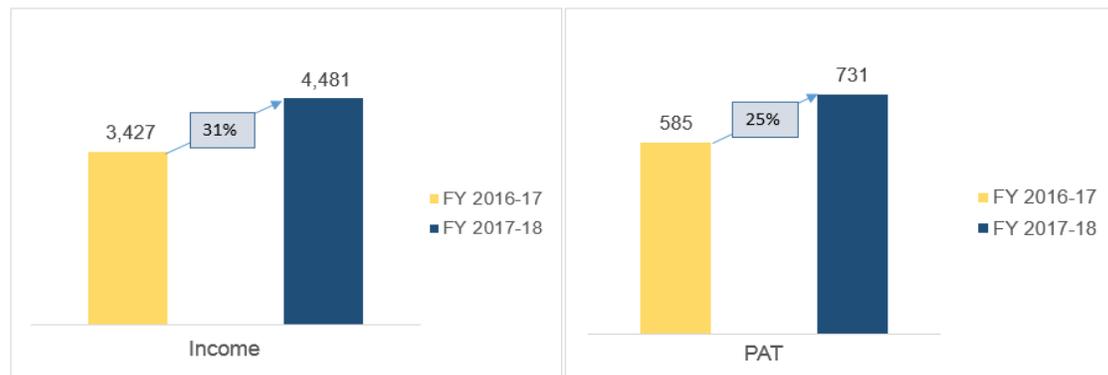


#### **Costs of Funds**

The cost of debt, during the year, reduced by 77 bps as compared to the previous year, though rates bottomed out in Q4 FY18 and are expected to increase going forward. India Ratings has upgraded your Company's long-term debt rating to AAA from AA+



## Financial Performance



During the year under review, income of the Company grew by 31% to Rs 4,481 Crore. Profit after Tax registered a growth of 25% to Rs 731 Crore as the Company is making investments in digital, in building its branch networks and building its retail business.

## Capital Adequacy Ratio (CAR)

As on March 31, 2018 the Capital Adequacy Ratio for the Company was 17.90% (previous year 17.33%) against a minimum of 15% as required by RBI norms. The Tier I capital of the Company was 14.62% (previous year 13.69%) and Tier II capital was 3.29% (previous year 3.64%).

The Networth of the Company as at March 31, 2018 was Rs 6,321.24 Crore as against Rs 4,991.33 Crore in the previous year. Additional capital aggregating Rs 600.05 Crore was infused to meet the growth requirements of the Company. Total borrowing outstanding as at March 31, 2018 was Rs 36,246 Crore (previous year Rs 28,913 Crore). The Company has not raised any fixed deposits from the public.

## NBFC Outlook

NBFCs have steadily expanded their share of total credit demand in the country, with innovatively structured products to meet customer needs, faster turnaround time, deeper reach and stronger relationships. Implementation of the various government initiatives to improve financial inclusion will further support NBFC's growth trajectory. With private consumption growing at a robust rate and a visible uptick in investment, NBFCs are well poised to maintain their growth trajectory. MSME is expected to offer promising growth driven by substitution of informal credit with reforms like GST & digital payments at POS.

## **Outlook on domestic growth**

On the Indian macroeconomic front, economic activity is expected to gather pace in 2018-19. Taking into account the baseline assumptions, survey indicators and model forecasts, real GDP growth is projected to improve from 6.6 per cent in 2017-18 to 7.4 per cent in 2018-19.

## **Risks and concerns**

The Company's risk philosophy involves developing and maintaining a healthy portfolio within its risk appetite and the regulatory framework. While it is exposed to various types of risks, the most important among them are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The measurement, monitoring and management of risks remains a key focus area for the Company.

Your Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked against best practices in the market.

The Board of Directors have an oversight on all the risks assumed by the Company.

For credit risk, distinct policies and processes are in place, separately for each business unit. Management of credit risk is carried out through credit policy definition, portfolio diversification, appraisal and approval processes, internal ratings, post sanction monitoring, operations control, fraud control, collection processes and remedial management procedures. For each product, programs defining customer segments, underwriting standards, security structures, etc. are specified to ensure consistency of credit patterns. All the cases are approved by Credit Committees formulated at different levels with respective approval limits.

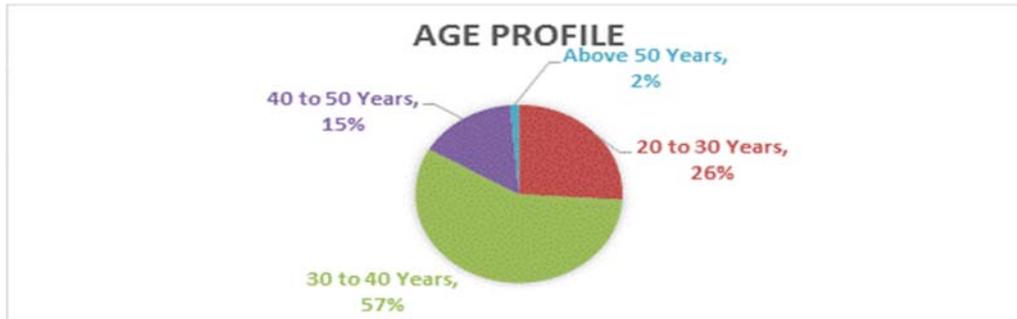
## **Internal control systems and their adequacy**

The Company has adequate internal controls, systems and procedures across all lines of businesses and support functions, commensurate with the size and nature of operations to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that the transactions are authorized, recorded and reported correctly. The Company's business processes undergo an independent internal audit as per the scope and calendar approved by the Audit Committee, and controls over regular business operations are managed effectively through supervision, policy reviews, and well documented procedures to ensure that the internal control systems are adequate to protect the Company against any loss or misuse of the Company's assets.

## **Material development in Human resources (HR), including number of people employed**

As on March 31, 2018 your Company had 1,481 employees. Your Company has cordial relations with its employees and commends their commitment, dedication and competence shown in all aspects of business. With the growing requirements of the Company, HR has taken various initiatives to ensure not only the retention of the employees but also their growth and development. The Employee Value Proposition of the Company has been identified as "WORLD OF OPPORTUNITIES" and manifests through a structured induction process, robust talent management Process & Systems– and structured Training & Development programs across all the levels along with a thorough Rewards & Recognition Framework to celebrate valued behavior and competencies.

The age profile of the employees of your Company is as under:



Your Company's vision is to be a leader and role model. The Human Resource function is aligned to this and ensures that it partners the businesses in realising the Company's vision. In the process, the Company has created a range of HR Best practices to engage its colleagues better:

**Recruitment & Selection** – PI (Predictive Index) tool is a pre-recruitment tool that serves as a guide to employee behaviour and is administered to all new recruits. This has been introduced to ensure quality talent intake by evaluating the candidature through psychometric testing.

**Induction & On boarding** – 'Accelerate' is the Company's on-boarding program that spans 6 months. It was conceptualized and implemented with the aim of introducing a comprehensive process which would not only help employees engage better with the organisation, but would also help them align to its strategic objectives, goals and culture. 'Accelerate' engages with new employees at regular intervals to ensure that all their requirements are met and they can be integrated in the organisation quickly. New employees receive a pre-joining mailer, a welcome call and a personalised Welcome Kit. Regular feedback is mandated — at the end of 30, 90 and 180 days. Manager feedback is sought after 120 days, based on which appropriate training is planned for the employee to equip him or her with the right skills to excel at the job. The Accelerate programme focuses on:

- Providing **clarity of job role** right at the beginning, thereby removing ambiguity in terms of goals, expectations and KRAs
- Ensuring **seamless transition** into the Company culture
- Liaising with the Learning and Development team for training needs identified by the feedback process
- **Highlighting critical cases** requiring immediate attention, thereby enabling corrective action to be taken and controlling early attrition

"Prarambh" is the employee induction program. This two days classroom session takes the new joinee through all the departments at the organisation, to give him/her an understanding of the organisation.

**Training** – Your Company encourages and enables employees to own their learning through an array of structured tools and processes. These include 'Propel', a competency mapping by employees with a review from line manager, and structured training calendars covering both behavioural and functional competency trainings. The results of Propel provide a view of the present skill sets and gaps, with future growth goal, thus enabling employees to understand their learning needs. It also helps the HR team in **succession planning** for various critical positions in the organisation. Your Company is one of the few to have conceptualized and effectively implemented an extensive Functional Competency Framework.

Based on the Propel data trends and inputs from the business teams, the final annual training plan is created and shared with all the employees through **Evolve**, our Annual and Quarterly Training Calendar. This comprehensive Training Calendar provides details of all programs that address the functional and behavioural development needs of employees.

**Employee Engagement** – Your Company has a strong focus on employee engagement, borne out by the Engagement Score of 87% in the Employee Engagement Survey, VIBES 2016, conducted biennially.

**Employee Wellness** – A number of key initiatives help our employees achieve a healthy work-life balance – Health Week, Sports day and participation in the Tata Marathon. To ensure organisational wellness, a Group level initiative called 'ABC Wellness' has regular communications on Health Tip of The Day to all our employees.

**Talent Management and Leadership Program** – To capitalise on the vast opportunities that have opened up in the Indian financial sector, we look to strong leadership to drive the business to the next level and set it up for bigger successes. To be future ready, Aditya Birla Capital's Leadership Talent Development Program (LTDP) is striving to build a reservoir of leadership talent. The LTDP intervention readies our internal talent to take on larger leadership roles and, when the opportunity arises, to take over the baton.

**Rewards & Recognition** – At your Company, reward and recognition programmes have been instituted to recognise exceptional employee performance. UDAAN is an on the spot, quarterly and annual recognition platform, while regular contests are announced to encourage employees to push their performance levels.

For our sales teams, sales incentives plans are communicated at the beginning of the year. Other functions are on a variable pay structure that links to achievements of goals. The compensation structure is innovative and the variable pay is linked to the achievement of individual, functional and organisation performance.

#### **People Planning & Budgeting**

Every year your Company undertakes an HR planning exercise in alignment with the organisation's strategic plan for the year. The HR Plan is based on a thorough analysis of employee productivity, business projections, training needs, business environment, thus aligning the Human Resources function with your Company's mission.

#### **Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's plan and objectives, financial conditions, business prospects, estimates and expectations may be forward looking statements which are based on the current belief, assumptions, projections of the Directors and the management of the Company. These statements do not guarantee the future performance and are subject to known and unknown risks, uncertainties and other factors some of which may be beyond the control of the Company. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include unavailability of finance at competitive rates, significant changes in political and economic environment in India or key markets abroad, tax laws, litigations, exchange rate fluctuations, interest and other costs.

## ADITYA BIRLA FINANCE LIMITED

Regd. Off.: Indian Rayon Compound, Veraval, Gujarat – 362 266

### Board's Report

Dear Shareholders,

We are pleased to present the 27<sup>th</sup> Annual Report, along with the audited standalone annual accounts of your Company for the financial year ended March 31, 2018 ("FY 18").

### Financial performance summary

The summarized standalone results of your Company prepared as per Indian GAAP are given in the table below.

Particulars	Year ended 31 <sup>st</sup> March		% Change over previous year
	2018	2017	
Total Income	4,481	3,427	31%
Total Expenses	3,352	2,580	30%
Profit before depreciation / amortisation and tax	1,129	847	33%
<b>Less:</b> Depreciation / amortization	20	15	35%
Profit before Tax	1,109	832	33%
<b>Less:</b> Tax expenses	378	247	53%
Profit after Tax	731	585	25%
Balance of profit/ (loss) brought from the previous year	1,134	666	70%
Profit before Appropriations	1,865	1,251	49%
Transfer to Special Reserve	146	117	25%
Dividend on Cumulative Preference Shares	0.81	-	
Corporate Dividend Tax	0.16	-	
Balance of Profit carried to Balance Sheet	1,718	1,134	51%

### Business Performance

#### a) Key Highlights

During the year under review, there was a growth in total income to Rs 4,481 Crore as against Rs 3,427 Crore in the previous year, a 31% increase. The total finance costs increased by 25% and the total expenses (including employee benefit expenses, depreciation, other expenses and provisions but excluding interest cost) increased to Rs 756 Crore from Rs 503 Crore in the previous year, a 50% increase primarily on account of increase in the employee benefit expenses on account of induction of new personnel, brokerage and commission, legal and professional expenses, business sales promotion expenses, rent, etc. The profit before tax increased by 33% to Rs 1,109 crore from Rs 832 crore and the profit after tax increased by 25% to Rs 731 crore from Rs 585 crore. The tax expenses of FY18 are not comparable with FY17 due to the benefit of Rs 40 crore availed from the brought forward losses pertaining to the wealth management undertaking in FY17 which was set off against the taxable income of the Company that year.

As per accounting standard 4 (R), from the year under review, the liability for dividend declared after balance sheet date should not be recognized in that balance sheet. Accordingly, the same is now considered on cash basis only.

## b) Business

Your Company offers end-to-end lending, financing and wealth management solutions to retail, HNI, ultra HNI, micro SME, SME and corporate customers as indicated in the table below. The portfolio is well diversified across various sectors and products.

<b>Retail / HNI / Business Owner / Micro Enterprises</b>	<b>Ultra HNI</b>	<b>SME</b>	<b>Mid Corporates</b>	<b>Large Corporates</b>
Loan Against Property (LAP)	Loan Against Property (LAP)	Term Loan	Term Loan	Term Loan
Unsecured Personal Loans	Promoter Funding	Working Capital Demand Loan (WCDL)	Working Capital Demand Loan (WCDL)	Structured Finance
Unsecured Business Loans	Loan against Securities (LAS)	Loan against Property (LAP)	Structured Finance	Project Finance
Loan Against Securities (LAS)	IPO Financing	Lease Rental Discounting (LRD)	Construction Finance	Fixed Income Investment
IPO Financing	Debt Syndication	Vendor Financing	Debt Syndication	Debt syndication
ESOP Financing	Wealth Management	Channel Financing	Debt Capital Market (DCM) Desk	Debt Capital Market (DCM) Desk
Digital Lending		Broker Funding	Treasury Services	Treasury Services
Wealth Management			Wealth Management	Wealth Management

The detailed customer segment wise performance results are provided in the Management Discussion & Analysis report.

## c) Portfolio quality

A few reasons that enabled your Company to maintain a high quality Portfolio are prudent client selection, robust risk management framework, strict underwriting process and a focus on secured and diversified business. The Gross NPA is at 0.92% amounting to Rs 386 Crore (previous year 0.48% amounting to Rs 157 Crore) and the Net NPA was 0.65% amounting to Rs 273 Crore (previous year 0.22% amounting to Rs 71 Crore), which is amongst the lowest in the industry. The gross NPA has increased due to movement of NPA classification to 90 days from earlier 120 days and one loan equivalent to 0.20% of the loan book getting categorized as Non-Performing Asset (NPA's) due to withdrawal

of the erstwhile framework of Revitalising Stressed Assets vide Reserve Bank of India Circular dated February 12, 2018.

#### d) Treasury

Your Company primarily sources funds through Banks (Term loans and cash credit) and Debt markets (Non-Convertible Debentures (NCDs), Sub-ordinated Debt, Commercial Paper (CP) and perpetual debt). The outstanding debt as on March 31, 2018 was Rs 36,343 Crore as compared to Rs 28,951 Crore as on March 31, 2017.

During the year, your Company borrowed Term Loans of Rs 4,093 Crore and NCDs of Rs 3,260 Crore at an average tenor of 4 years. This year, your Company also listed its NCDs on the BSE, apart from NSE. Your Company had a maiden issuance of Tier I (Perpetual Debt) bonds of Rs 200 Crore during the year which alongwith the Tier II (Sub-ordinated Debt) bonds of Rs 165 Crore has strengthened its Capital Adequacy. Asset Liability Management is managed carefully and was within the norms stipulated by the Reserve Bank of India (RBI).

India Ratings has upgraded your Company's long-term debt rating to AAA from AA+, while ICRA and CARE continues with AA+ rating.

In line with the regulatory requirement of having a dual short-term rating for issue of CPs, the Company got its second rating from India Ratings, which rated the short-term debt program at A1+.

The credit rating enjoyed by your Company from various rating agencies as on March 31, 2018 is detailed below:

Credit Rating Agency	Instruments	Ratings
India Ratings	Non-Convertible Debentures	AAA
	Sub-Debt	AAA
	Perpetual Debt	AA+
	Commercial Paper	A1+
ICRA	Non-Convertible Debentures	AA+
	Sub-Debt	AA+
	Perpetual Debt	AA
	Unsecured NCD	AA+
	Commercial Paper	A1+
	Fund based limits from Banks	AA+/A1+
CARE	Sub-Debt	AA+

#### Reserves

Section 45-IC of the Reserve Bank of India Act, 1934 requires Non-Banking Finance Companies to transfer an amount not less than 20% of its net profit to Special Reserve Fund. Accordingly, the Company transferred Rs 146.20 Crore to the Special Reserve Fund.

#### Dividend

The Board recommends dividend at 8% coupon rate to the holders of Cumulative Preference Shares as final dividend. The total cash outflow on account of the said dividend will amount to Rs 96.29 Lakh (inclusive of Rs 16.29 Lakh as Dividend Distribution Tax). The said dividend is

included in the agenda of the forthcoming annual general meeting. With a view to conserve its resources, the Board does not recommend any dividend on the Equity shares (NIL in previous year).

The total cash outflow on account of dividend was Rs 96.97 Lakh (inclusive of Rs 16.40 Lakh as Dividend Distribution Tax) during the year. The dividend is now considered on cash basis as per revised accounting standard 4(R).

There were no sums liable to be transferred to the Investor Education Protection Fund.

### Share Capital

During the year under review, your Company had a capital infusion of Rs 600.05 Crore through issue of 1.83 Crore equity shares of Rs 10/- each per share on rights basis to the existing shareholder as detailed below:

Sr. No.	Date of Allotment	No. of Equity Shares	Face value per Equity Share (in Rs.)	Premium Amount per Equity Share (in Rs.)	Total amount (Rs in Crore)
1	18.09.2017	39,55,700	10	306	125.00
2	29.09.2017	39,55,700	10	306	125.00
3	28.12.2017	29,60,000	10	328	100.05
4	28.03.2018	73,96,500	10	328	250.00
	<b>Total</b>	<b>1,82,67,900</b>			<b>600.05</b>

No shares with differential voting rights were issued by the Company during the year.

### Public Deposits

Your Company being a Non-deposit taking systemically important non-banking finance company has not accepted or renewed any deposit as covered under Chapter V of the Act read with the Companies (Acceptance of Deposit) Rules, 2014, as amended, from its members or the public during the year under review.

### Particulars of Loans, guarantees or investments under Section 186

Pursuant to provisions of Section 186 (11) of the Companies Act, 2013, the Company being a non-banking finance company registered with the Reserve Bank of India and engaged in the business of giving loans, is exempted from the provisions of the said section. Accordingly, the disclosures of the loans given as required under the aforesaid section have not been given in this Report.

### Conservation of energy and technology absorption, foreign exchange earnings and outgo

The details pertaining to conservation of energy and technology absorption as required to be disclosed pursuant to provision of Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Company due to the very nature of industry in which it operates.

During the year under review, there were no foreign exchange earnings. Your Company had spent Rs 55.24 Lakh (previous year Rs 50.72 Lakh) as expenditure in foreign exchange.

## **Particulars of Employees**

The information on remuneration as per the provisions of Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in *Annexure 1*. In accordance with the provisions of Section 197 read with Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the statement containing particulars of employees including their names and other particulars of employees are to be set out in the Boards' Report as an addendum thereto.

However, in terms of the provisions of Section 197 read with Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard. Additional details on employees is provided in the Management Discussion & Analysis report.

## **Aditya Birla Capital Limited Employee Stock Option Scheme 2017 ("Scheme 2017")**

The shareholders of your Company at its meeting held on August 9, 2017 had approved the extension of benefits of the Aditya Birla Capital Limited Employee Stock Option Scheme 2017 ("Scheme 2017") to the permanent employees in the management cadre of your Company. Pursuant to the provisions of Section 67 of the Companies Act, 2013, applicable ESOP charge has been charged by Aditya Birla Capital Limited to the Company. Accordingly, during the year under review an amount of Rs 7.04 crore has been debited to the Employee cost towards Aditya Birla Capital Limited Employee Stock Options granted to Employees of your Company.

## **Material changes and commitment affecting financial position of the Company**

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of the financial year of the Company i.e. March 31, 2018 and the date of the Boards' report.

## **Significant and Material Orders passed by the Regulators / Courts / Tribunals**

From corporate tax perspective, apart from Industry based tax litigations, revenue authorities or tribunal or court have not passed any order impacting going concern status of your Company.

## **Management Discussion and Analysis**

Management Discussion and Analysis Report is presented as a separate section forming part of this Annual Report.

## **Corporate Governance Report**

Your Company and Directors reaffirm their commitment to maintain the highest standards of corporate governance as applicable to your Company. Corporate Governance principles form an integral part of the core values of the Company. Corporate Governance Report forming part of Boards' Report for the year under review is attached separately as *Annexure 2*.

## Subsidiary

Your Company doesn't have any subsidiary company.

## Risk Management Framework

The sustained success of a financial services company is built on the bedrock of robust risk management system. Your Company's risk philosophy aims to develop and maintain a healthy portfolio which is within its risk appetite and the regulatory framework. Through proactive and improved risk management practices, Risk Management function strives to achieve financial stability and enhance stakeholders' value.

Your Company is exposed to risk by the very nature of its business. These are as follows:

Credit risk	Market risk	Liquidity Risk	Operational Risk
Strategic Risk	Interest rate Risk	Compliance risk	Pricing Risk
Reputational Risk	Model Risk & Technology Risk	Business Risk & Fraud Risk	

These material risks are factored in while decision making and determining the capital requirements. The most important of these are Credit Risk, Market Risk, Liquidity Risk and Operational Risk which are explained in subsequent section.

Identifying, measuring, monitoring and managing these are critical to balancing the risk-return trade off and determining the ultimate success of your Company. Your Company has a Board approved risk strategy and policy in place. The implementation of this well-defined policy is supervised by the Risk Management Committee of the Board. The committee periodically reviews risk level and direction, portfolio composition, status of impaired credits and risk management initiatives

**Credit Risk:** Credit Risk Management structure defines credit policies and procedures and the risk framework defines prudential limits, portfolio criteria, exceptional approval metrics etc. at the Company level. In addition, distinct policies and processes for each business unit are defined which helps in management of credit risk and ensure consistency in credit patterns for each of the business units through target market definition, customer selection, underwriting standards, security structures, etc.

The appraisal process encompasses a detailed risk assessment and rating of obligors, using rating models. These models cover all corporate business segments of portfolio. The ratings of customers are assessed based on their financial performance, industry characteristics, business positioning, project risks, operating performance and other non-financial parameters, such as quality of management and conduct of account.

Appropriate front-end credit buying, portfolio diversification, appraisal and approval processes, internal ratings, post sanction monitoring, operations control, fraud control, collection processes and remedial management procedures are well-defined and documented.

**Market Risk:** Your Company's market Risk management is governed by a comprehensive Board approved policy. It ensures risks underwritten across business activities are within the stipulated risk appetite of the company. Policies have been benchmarked with industry-best practices and RBI regulations. Your Company maintains an investment book of Fixed Income Instruments, mostly Corporate / Government Bonds, NCDs & CPs/ CDs. This is

managed through a well-defined Board approved investment policy which caps exposures to various securities through stringent trading risk limits/triggers.

**Liquidity Risk:** Management of Liquidity (Asset Liability and Interest Rate) and Market Risk is carried out using quantitative techniques such as sensitivity and stress testing. The Asset Liability Committee reviews liquidity risk and the interest rate risk profile of the organization on a regular basis.

**Operational Risk:** A Board approved Operational Risk Management Framework has been put in place which is implemented by a dedicated team within the Risk Management function. A bottom up risk control self-assessment process identifies high risk areas, potential gaps and serves as an early warning system so that remedial measures can be initiated in a timely manner.

### **Committee Structure & Monitoring**

The Risk Management oversight structure includes Committees of the Board and Senior Management. The Risk Management Committee of the Board (“RMC”) reviews compliance with risk policies, monitors risk tolerance limits, reviews and analyses risk exposure and provides oversight of risk across the organization. The RMC nurtures a healthy and independent risk management function to inculcate a strong risk management culture in the Company.

Credit Committees not only approve counter - party credit exposure in line with the delegation of limit authority assigned by the Board of Directors, but also focus on post sanction monitoring. The Credit Committee also reviews the credit portfolios, non-performing loans, accounts under watch, over dues and incremental sanctions on an on-going basis.

The Audit Committee of the Board provides direction to and monitors the quality of the internal audit function and also monitors compliance with audit reports of RBI, other regulators and statutory auditors.

The Company through Risk Policy & Monitoring unit tracks all key components like Key financial indicators, covenants and documentation. Escalation matrix is built in to enable continuous monitoring & in time resolution. This unit works in close coordination with various business segments to periodically review the individual borrower relationships, identify early warning signals and assess the overall health of borrowers. This unit takes proactive measures to ensure that delinquencies are maintained at a minimum level. Risk Monitoring unit also tracks the entire credit portfolio across all segments, including monitoring of early warning signals, identifies portfolio trends, and generates portfolio level MIS, covering various credit quality indicators. Further, it independently reviews credit policies and programs, including rating models for corporates.

### **Fraud Risk Management**

Risks associated with frauds are mitigated through a Fraud Risk Management framework. Fraud Control Unit reviews matters relating to fraud risk by reviewing cases which are entered in the system. Various fraud control management activities like document sampling, property visit, verification of stock statement, vendor profile check, customer profile check etc. are established.

## **Related Party Transactions**

All Related Party Transactions ('RPT') that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The Board has approved a Related Party Transactions Policy for purpose of identification and monitoring of such transactions. As per the amendment to the Rules framed under Companies Act, the Audit Committee had granted omnibus approval for RPTs which are repetitive in nature after obtaining the approval of the criteria for giving the omnibus approval from the Board of Directors. Additionally, in respect of RPTs which cannot be foreseen and requisite details of which are not available, the Audit Committee had granted omnibus approval for such transactions subject to their value not exceeding Rs One Crore per related party transaction. The transactions entered into pursuant to the omnibus approval so granted and a statement giving details of all Related Party Transactions are audited and placed before the Audit Committee for its approval on a quarterly basis. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

Particulars of contract or arrangements entered into by your Company with the related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including arm's length transactions under third proviso thereto is being disclosed in Form AOC -2 and forms part of the Director's report as *Annexure 3*. The Policy on Related Party Transactions, as approved by the Board, is available on your Company's website at: <https://abfl.adityabirlacapital.com/>.

## **Internal Financial Controls**

Your Company has put in place adequate financial controls across all lines of business and support functions. Internal control systems comprising of policies and procedures are designed to ensure sound management of your Company's operations, safekeeping of its assets, optimal utilisation of resources, reliability of its financial information and compliance. Clearly defined roles and responsibilities have been institutionalised. Systems and procedures are periodically reviewed to keep pace with the growing size and complexity of your Company's operations. These controls have been tested for design and operating effectiveness on a periodic basis and no significant exceptions were noted.

## **Internal Audit framework**

Your Company has a robust internal audit framework in place to test the satisfactoriness of internal controls with the objective of providing an independent, objective and reasonable assurance on the adequacy and effectiveness of the organization's risk management, control and governance processes to the Audit Committee and the Board of Directors.

The framework is commensurate with the nature of the business and the size of its operations. Internal auditing of the Company involves the utilization of a systematic methodology for analyzing business processes or organizational problems and recommending solutions to add value and improve the organization's operations. The audit approach verifies compliance with the regulatory, operational and systems related procedures and controls.

The Board of Directors at their meeting held on January 25, 2017 had appointed M/s. Aneja Associates as Internal Auditors for the Financial Year 2017-18 and approved their scope and plans for the said financial year. The objective of the Internal Audit is to cover the following:

- Review adequacy and effectiveness of transaction controls

- Review the operation of the control supervisory mechanisms
- Recommend improvements in process and procedures and
- Surface significant observations and recommendations for process improvements in concise report for discussion with senior management.

As a good governance practice, your Company has appointed M/s. Aneja Associates as Internal Auditors in place of M/s. KPMG as they had conducted the audit for four financial years.

### **Directors' Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013 ("the Act"), your Directors confirm that, to the best of their knowledge and belief and according to the information and explanations obtained from the operating management:

- in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit of the Company for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the attached Statement of Accounts for the financial year ended March 31, 2018 have been prepared on a "going concern basis";
- that there were no significant deviations which could be construed as material weakness in the existing control framework and that the Company has laid down internal financial controls which were adequate and operating effectively;
- that there are proper processes and systems to ensure compliance of all laws applicable to the Company and that such systems were adequate and operating effectively.

### **Implementation of IND AS and fair valuation IND AS**

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release was issued by the MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards (IND AS) converged with International Financial Reporting Standards (IFRS). RBI has advised the NBFCs to comply with the Indian Accounting Standards (IND AS) for Financial Statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018. Your Company is well placed to meet this requirement within the stipulated time frame.

As the ultimate Holding Company i.e. Grasim Industries Limited ("Grasim") (as Aditya Birla Nuvo Ltd. has been merged into Grasim w.e.f. July 1, 2017) is a listed company, your Company is also required to prepare its Financial Statements as per Indian Accounting Standards (IND AS). Due to the said merger, there is a requirement for Grasim under IND AS 103 to do purchase price allocation to the different assets (both tangible & intangible) acquired. For the purpose of consolidation, the impact of fair value adjustment is being given in its respective subsidiary's fit for consolidation results. Your Company has accordingly prepared its accounts as per Indian Generally Accepted Accounting Principles (IGAAP), Indian Accounting Standards (IND AS) and as per Indian Accounting Standards (IND AS) on fair valuation basis. The accounts presented in this report are prepared as per IGAAP.

## **Directors / Key Managerial Personnel**

### **A. Directors**

The Board of Directors comprises of 8 (eight) Directors out of which 6 (six) are Independent Directors (including 2 Women Directors).

As per Regulation 24 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, at least one independent director on the board of directors of the listed entity shall be a director on the Board of Directors of an unlisted material subsidiary, incorporated in India. Accordingly, on the nomination letter received from your holding company: Aditya Birla Capital Limited, the Board at its meeting held on October 26, 2017, had appointed Ms. Vijayalakshmi Iyer (DIN no.: 05242960) as an Additional Director (Independent) of the Company. The said appointment was duly approved at the meeting of the Nomination and Remuneration Committee held on October 26, 2017.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. Your Company has received requisite disclosures and undertakings from all the Directors in compliance with the provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force) and the Reserve Bank of India directions.

In accordance with the provisions of Section 152 of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force), Mr. Bishwanath Puranmalka (DIN: 00007432), retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, has offered himself for re-appointment.

Ms. Alka Bharucha (DIN No.: 00114067), Director, was appointed as an Independent Director at the Annual general meeting held on August 28, 2015, for a term of three years ending on August 27, 2018. Ms. Bharucha has given her consent for being reappointed as Independent directors for a further term of five years with effect from August 28, 2018 up till August 27, 2023.

Your Directors propose the reappointment of Mr. Bishwanath Puranmalka (DIN: 00007432) and Ms. Alka Bharucha (DIN No.: 00114067). Resolutions seeking their appointment / reappointment has been included in the notice of the ensuing AGM.

### **(i) ANNUAL EVALUATION BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS**

The evaluation framework for assessing the performance of the Directors of your Company comprises of assessment of their contributions at the meetings, strategic perspective or inputs regarding the growth and performance of your Company, amongst others. Pursuant to the provisions of the Act and the Listing Regulations, the Directors have carried out the annual performance evaluation of the Board, Independent Directors, Non-executive Directors, Committees and the Chairman of the Board. The manner of evaluation is provided in the Corporate Governance Report.

### **(ii) Board Remuneration Policy**

The Board, on the recommendation of the Nomination & Remuneration Committee, has adopted Executive Remuneration Philosophy for remuneration of Directors, KMP and Senior Management. The said policy is attached as *Annexure 4*.

### **(iii) Managerial Remuneration**

The details on remuneration to Directors/Manager are disclosed in the Corporate Governance Report.

### **B. Key Managerial Personnel (KMPs)**

During the year under review there was no change in the KMPs of your Company. The details of KMPs and their remuneration are disclosed in the relevant annexures.

### **Board Meetings**

The information pertaining to the meetings of the Board of Directors and its Committees are forming part of the Corporate Governance Report of the Company.

### **Audit Committee and its composition**

The Audit Committee comprises of 3 (three) members as on date viz. Mr. Ashwani Puri, Mr. D J Kakalia and Mr. Ajay Srinivasan. Out of the above members, two members viz. Mr. Ashwani Puri and Mr. D J Kakalia are Independent Directors. Mr. Ashwani Puri is the Chairman of the Audit Committee. Additional details about the Committee are provided in the Corporate Governance report. During the year under review, the Board of Directors of your Company has accepted all the recommendations as put forth by the Audit Committee.

### **Nomination & Remuneration Committee and its composition**

The Nomination & Remuneration Committee (NRC) comprises of 4 (four) members as on date viz. Mr. Jitender Balakrishnan, Mr. D J Kakalia, Mr. Ajay Srinivasan and Mr. B N Puranmalka. Out of the above members, two members viz. Mr. D J Kakalia and Mr. Jitender Balakrishnan are Independent Directors. Mr. Jitender Balakrishnan is the Chairman of the Committee. Additional details about the Committee are provided in the Corporate Governance report. During the year under review, the Board of Directors of your Company has accepted all the recommendations as put forth by the NRC Committee.

### **Other Committees**

The details of the all Committees of the Board are provided in the Corporate Governance Report, which forms part of this Annual Report.

### **Extract of Annual Return**

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as *Annexure 5*.

### **Auditors and Auditors' Report**

S.R. Batliboi & Co. LLP, Chartered Accountants (Membership no. 301003E/E300005) holds office as Statutory Auditors of the Company upto the ensuing Annual General Meeting and have offered themselves for re-appointment. A certificate from them has been received to the effect that their appointment as Statutory Auditors of the Company, if made, would be within the limits prescribed under Section 139 (2) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force). The auditors have further certified that they have subjected themselves for the peer review process of the Institute of

Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the “Peer Review Board” of ICAI.

The Board, on the recommendation of the Audit Committee, proposes the re-appointment of S.R. Batliboi & Co. LLP, as the Statutory Auditors of your Company for the year 2018-19. The said appointment of the Statutory Auditors will be subject to the approval by the shareholders at their annual general meeting.

The other observations, if any, made by the Auditors of the Company in their report read with relevant notes to the Accounts are self-explanatory and therefore do not call for any further comments. The Statutory Auditors have not reported any incident of fraud to the Audit Committee or the Board of Directors under Section 143(12) of the Companies Act, 2013 during the financial year ended 31<sup>st</sup> March, 2018.

### **Secretarial Auditors and Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, in the Board meeting held on July 27, 2017 your Company had appointed M/s. BNP & Associates, Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the FY 2017-18. The Report of the Secretarial Audit is annexed herewith as *Annexure 6*. There are no qualifications, reservations or adverse remark made by the Secretarial Auditor.

### **Corporate Social Responsibility**

The policy on Corporate Social Responsibility (CSR) of your Company is available on its website. The details of CSR activities undertaken during the year under consideration are attached herein as *Annexure 7*.

### **Vigil Mechanism/ Whistle Blower policy:**

Pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013, your Company has a Whistle Blower Policy in place for providing a platform to all the employees, vendors and customers to report any suspected or confirmed incident of fraud/misconduct through any of the determined reporting protocols. The Company has Vigil Mechanism provided for in the said Whistle Blower policy.

### **Policy for prevention of Sexual Harassment at work place**

Your Company has put in place a Prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2017-18:

No of Complaints received	:	None
No of Complaints disposed off	:	Not Applicable

### **Human Resources**

Your Company believes that human resources are at the core of sustaining and building our organization will play a critical role in its future growth. With an unswerving focus on nurturing and retaining talent, your Company provides avenues for learning and development

through functional, behavioral and leadership training programs, knowledge exchange conferences and providing communication channels for information sharing, to name a few of the initiatives.

### **Secretarial Standards of ICSI**

Pursuant to the approval by the Central Government to the Secretarial Standards specified by the Institute of Company Secretaries of India on 10<sup>th</sup> April, 2015, the Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) came into effect from 1<sup>st</sup> July 2015. Thereafter, Secretarial Standards were revised with effect from 1<sup>st</sup> October, 2017. The Company is in compliance with the revised Secretarial Standards

### **Other Disclosures**

The Board of Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

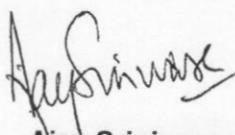
- Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except Employees' Stock Option Scheme referred to in this Report.
- Scheme of provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.

### **Appreciation / Acknowledgements**

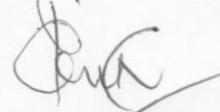
Your Directors wish to place their sincere appreciation for the valuable advice, guidance and support provided by the regulators and statutory authorities from time to time. Your Directors express their gratitude to the clients, bankers and all business associates for their continuous support and patronage to the Company.

Your Directors take this opportunity to recognize and place on record their deep sense of appreciation for the exemplary commitment and contribution made by employees at all levels. Their dedicated efforts and enthusiasm have been pivotal to your Company's growth.

**For and on behalf of the Board**



**Ajay Srinivasan**  
Director  
DIN - 00121181



**B N Puranmalka**  
Director  
DIN - 00007432

**Place: Mumbai**  
**Date: May 5, 2018**

### Aditya Birla Finance Limited

Details to be included in the Board report as per Section 197(12) & Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for Financial Year 2017-18

1	Ratio of remuneration of each Director to median remuneration of the employees of the company for the financial year; <i>Not Applicable as all the Directors of the Company are non-executive</i>				
2	Percentage increase in remuneration of each Director, CFO, CEO, CS or Manager, in the FY 2017-18  <table border="0"> <tr> <td>Mr. Rakesh Singh, CEO 18.35%</td> <td>Mr. Sekhar Mosur, Manager 28.90%</td> <td>Mr. Sanjay Miranka, CFO 15.30%</td> <td>Mr. Ankur Shah, CS 12.00%</td> </tr> </table>	Mr. Rakesh Singh, CEO 18.35%	Mr. Sekhar Mosur, Manager 28.90%	Mr. Sanjay Miranka, CFO 15.30%	Mr. Ankur Shah, CS 12.00%
Mr. Rakesh Singh, CEO 18.35%	Mr. Sekhar Mosur, Manager 28.90%	Mr. Sanjay Miranka, CFO 15.30%	Mr. Ankur Shah, CS 12.00%		
3	Percentage increase in median remuneration of employees in the FY 10.72%				
4	No. of permanent employees on rolls of the Company 1,481				
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration  <p><i>Average percentile increase in the salaries of employees other than the managerial personnel in the last financial year – 10.80%</i></p> <p><i>Average percentile increase in the salaries of the managerial personnel in the last financial year – 18.60%</i></p>				
6	It is hereby affirmed that the remuneration paid is as per the remuneration policy of the Company.				

**Report on Corporate Governance**

**Philosophy of Corporate Governance**

Your Company continues to be committed to good Corporate Governance aligned with best practices. We believe that good Corporate Governance emerges from the application of best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics. The Company places great emphasis on values such as empowerment and integrity of its employees, safety of the employees & communities, transparency in decision making process, fair & ethical dealings with all and accountability to all the stakeholders.

**Corporate Governance reporting under Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Your Company is an unlisted company as its shares are not listed on any stock exchange and hence the provisions of corporate governance prescribed in Chapter IV and Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company. Yet the Company on a suo-moto basis, has taken all necessary initiatives to comply with the provisions of corporate governance to the maximum extent possible and endeavors, in true spirit, to go well beyond the mandatory provisions. However, as per the provisions of the Companies Act, 2013, the Company is considered as a listed company as its debentures are listed. As per the provisions of the Companies Act, 2013, various disclosures are now required to be made in the Boards' Report of which the disclosures relating to the Directors, the Board, its Committees and their meeting are given herein below:

**I) Board of Directors ("Board")**

The Directors are elected by shareholders of the Company with a responsibility to set strategic objectives for the management and to ensure that the long term interests of all stakeholders are served by adhering to and enforcing the principles of sound corporate governance.

The Board members have diverse areas of knowledge and expertise, which is necessary in providing an independent and objective view on business issues and assess them from the standpoint of the stakeholders of the Company. The Board is independent of the management.

**A. Composition of the Board**

The Board comprises of 8 (eight) directors as on date, of which 6 (six) are Independent directors including two women directors. As per the provisions of the Companies Act, 2013, the Company has appointed a Manager who is not a part of the Board of Directors.

'Independent Director' in relation to a company shall mean a director other than a managing director or a Whole-time director or a nominee director of the company who:

- a) in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

- b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c) had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives —
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
    - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent or more of the total voting power of the company; or
  - (iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
- f) Possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

Following are the Independent Directors of the Company as on date:

1. Mr. Darius J Kakalia
2. Mr. Jitender Balakrishnan
3. Mr. Ashwani Puri
4. Ms. Alka Bharucha
5. Mr. Baldev Raj Gupta
6. Ms. Vijayalakshmi Iyer

## B. Details of Directorships/Committee memberships

The composition of our Board, their Directorships/Committee memberships\* and Chairmanships as on date is given in the table below:

Name of Director	Designation	No. of Directorships in other Public Cos	No. of Committee Memberships of other Public Cos <sup>##</sup>	Chairmanship in Committees of other Public Cos <sup>\$</sup>
Mr. Ajay Srinivasan	Director	6	5	--
Mr. B N Puranmalka	Director	2	--	--
Mr. D J Kakalia	Director	5	4	1
Mr. Jitender Balakrishnan	Director	9	5	2
Mr. Ashwani Puri	Director	2	--	2
Ms. Alka Bharucha	Director	5	3	2
Mr. B. R. Gupta	Director	6	4	2
Ms. Vijayalakshmi Iyer	Director	8	1	3

\* Not including companies incorporated outside India and Private Limited Companies (other than holding or subsidiary company of a public company) and companies under Section 25 of the Companies Act, 1956.

\$ Only Audit Committee and Shareholders' Grievance/ Stakeholders Relationship Committee of all public limited companies (whether listed or not) have been considered for the purpose of the Committee positions (membership and chairmanship), as per Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

# excluding Chairmanship which is mentioned in the next column.

## C. Non-Executive Directors' compensation and disclosures

Your Company pays sitting fees to the Independent Directors for attending meetings as per the following:

Attending Meeting of	Amount in Rs.
Board	50,000 per meeting per Director
Audit Committee	25,000 per meeting per member
Other Committees	20,000 per meeting per member

The details of sitting fees paid to the Independent Directors during the FY 2017-18 are given in the table below:

(Amount in Rs.)

Name of the Director	Board Meeting	Committee					
		Audit	Risk	Nomination & Remuneration	CSR	Finance	IT strategy
Mr. D J Kakalia	200,000	75,000	N.A.	100,000	N.A.	60,000	N.A.
Mr. Jitender Balakrishnan	150,000	N.A.	60,000	80,000	N.A.	N.A.	N.A.
Mr. Ashwani Puri	200,000	100,000	N.A.	N.A.	20,000	N.A.	N.A.
Ms. Alka Bharucha	250,000	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Baldev Raj Gupta	250,000	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ms. Vijayalakshmi Iyer	100,000	N.A.	N.A.	N.A.	N.A.	N.A.	20,000

## **D. Board Meetings**

### **i) Agenda and Minutes**

The Company Secretary receives details on the matters which require the approval of the Board/ Board Committees, from various departments of the Company well in advance, so that they can be included in the Board/ Board Committee agenda. All material information is incorporated, in detail, in the agenda papers for facilitating meaningful and focused discussions at the meetings.

In compliance of the statutory requirements, the following minimum information is supplied to the Board in the agenda of every quarterly Board Meeting:

- Minutes of meetings of previous Board and Committee meetings
- Noting of Circular resolution(s)
- Financial results of the Company
- Compliance certificate
- Status of Action on items of the previous Board meeting
- Business requirements
- Outstanding borrowings and investments
- Approval of policies
- Approval of fees of Auditors

The Company is in compliance with the provisions of the notified Secretarial Standards on the subject.

### **ii) Attendance of directors**

As a good practice the Company ensures optimum presence of the Directors at each meeting.

During the FY 2017-18, five Board meetings were held on May 8, 2017, July 27, 2017, August 8, 2017, October 26, 2017 and February 7, 2018.

The attendance of the Directors at the above Board meetings and at the last Annual General Meeting is given in the table below:

Name of Directors	No. of Board meetings during FY 2017-18		Attendance in the last AGM dated June 2, 2017
	Held	Attended	
Mr. Ajay Srinivasan	5	5	No
Mr. B N Puranmalka	5	4	No
Mr. D J Kakalia	5	4	No
Mr. Jitender Balakrishnan	5	3	No
Mr. Ashwani Puri	5	4	No
Ms. Alka Bharucha	5	5	No
Mr. Baldev Raj Gupta	5	5	No
Ms. Vijayalakshmi Iyer	2	2	NA

## **E. Code of Conduct**

The Company has designed and implemented a Code of Conduct for the employees of the Company. The senior management of the Company is governed by this Code of Conduct. The salient features of the said Code of Conduct policy is as under:

- Maintain highest degree of Corporate Governance practices
- confidentiality of information
- Act in good faith and exercise due care, diligence and integrity
- Ensure compliance with laws
- Minimum standards of conduct
- Fairness in workplace
- Avoiding conflict of interest
- Dealing with other people & organisations
- Dealing with Customers
- Responsibilities
- Adherence & enforcement mechanism
- Commitment

## II) **Audit Committee**

The provisions of Section 177 of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof, for time being in force), prescribes that every public company having paid-up capital of not less than Rupees Ten Crore shall constitute a committee of the Board known as "Audit Committee".

The primary functions which the Committee looks into are:

- overseeing company's financial reporting process and the disclosure of its financial information
- Review of Annual Financial Statements
- Management discussion and analysis of financial condition and results of operations
- Related party transactions
- Management letter/ letters of internal control weakness if any issued by Statutory Auditors
- Recommend appointment of Auditors and their remuneration
- Review of Internal Audit reports
- Review performance of Internal Auditors
- Evaluation of internal financial controls and the risk management systems
- Valuation of undertaking or assets of the Company, wherever it is necessary
- Valuation of undertaking or assets of the Company, wherever it is necessary
- Review of the NPAs and their provisions
- To review the functioning of the whistle blower mechanism
- monitoring the end use of funds raised through public offers and related matters

### A. **Composition of Audit Committee**

Our Audit Committee comprises of 3 (three) members viz. Mr. Ashwani Puri, Mr. D J Kakalia and Mr. Ajay Srinivasan. Out of the above, two members viz. Mr. Ashwani Puri and Mr. D J Kakalia are Independent Directors. Mr. Ashwani Puri is the Chairman of the Audit Committee.

All members of the Audit Committee are financially literate and have the necessary accounting and related financial management expertise.

The Chief Executive Officer, the Chief Financial Officer, Chief Risk Officer, the Compliance Officer/ Company Secretary, the Internal Auditors and the Statutory

Auditors of the Company are invited for each of the Audit Committee meeting of the Company.

The Company Secretary acts as the Secretary to the Committee.

**B. Meetings of Audit Committee and attendance of Audit Committee members**

During the FY 2017-18, the Audit Committee met four times on May 8, 2017, July 27, 2017, October 26, 2017 and February 5, 2018.

The attendance of the Audit Committee members at the Audit Committee meetings during the FY 2017-18 is given in the table below:

Name of the Committee member	No. of Audit Committee meetings	
	Held	Attended
Mr. Ashwani Puri	4	4
Mr. D J Kakalia	4	3
Mr. Ajay Srinivasan	4	4

**III) Other Committees of the Company**

For ensuring smooth business activities and as per the requirements of the RBI Directions, the Company has constituted certain Board Committees with well-defined charters for each one of them. The prominent Board Committees, other than the Audit Committee, are as under:

**A) Risk Committee**

In view of the various lines of business and growing scale of operations undertaken by the Company and as required by RBI norms, the Board had constituted the Risk Committee as its sub-committee, to oversee the risk management and compliance activities of the Company.

As per the documented charter duly approved by the Board of Directors, the primary function of the Risk Committee covers the following:

- Implementation of various directions issued by Board
- Review of Loan Portfolios
- Monitoring various risks affecting the Company
- Guiding the business to ensure effective risk management.
- Generally oversee the risk management function and perform such other related functions as the Board of the Company may entrust to it.

**a) Composition of Risk Committee**

The Risk Committee comprises of following members as on date viz.:

- Mr. Jitender Balakrishnan
- Mr. B N Puranmalka
- Mr. Rakesh Singh
- Mr. Sekhar Mosur
- Mr. Ajay Srinivasan
- Mr. A Dhananjaya
- Mr. Tushar Shah
- Mr. Ajay Singh

Mr. Jitender Balakrishnan is the Chairman of this Committee. The Company Secretary acts as the Secretary to the Committee.

**b) Meetings of Risk Committee and attendance of Risk Committee members**

The attendance of the Risk Committee members at the Risk Committee meetings during the FY 2017-18 is given in the table below:

Name of the Committee member	No. of Risk Committee meetings	
	Held	Attended
Mr. Jitender Balakrishnan	3	3
Mr. Ajay Srinivasan	3	3
Mr. B N Puranmalka	3	3
Mr. A Dhananjaya	3	2
Mr. Rakesh Singh	3	2
Mr. Tushar Shah	3	3
Mr. Sekhar Mosur	3	3
Mr. Ajay Singh	3	3

**B) Asset Liability Management Committee**

The Board had constituted the Asset Liability Management Committee as its sub-committee to:

Monitor the external environment and initiate appropriate action after evaluation of the following factors:

- Interest rate trends
- Market liquidity
- Monetary and fiscal policies
- Competitor actions
- Review balance sheet growth, mismatches and forecasts.
- Arrive at desirable maturity profiles for assets and liabilities based on anticipated funding needs, loan demands and liquidity position.
- Fine-tune product pricing.
- Ensure adequacy of capital and seek efficiency in its use in the context of a clearly charted growth strategy.
- Ensure compliance with interest rate and liquidity risk related regulatory requirements.

**a) Composition of Asset Liability Management Committee**

The Asset Liability Management Committee comprises of the following members as on date viz.:

- Mr. Rakesh Singh
- Mr. Sekhar Mosur
- Mr. Sanjay Miranka
- Mr. Devang Raval
- Mr. Hitesh Eidnani
- Mr. Chandramohan Amritkar
- Mr. Tushar Shah
- Mr. Ajay Singh
- Mr. Rajeev Sharma
- Mr. Prosenjit Aich
- Mr. Nirmal Kishore

The Company Secretary acts as the Secretary to the Committee.

**b) Meetings of Asset Liability Management Committee and attendance of Asset Liability Management Committee members**

The attendance of the Asset Liability Management Committee members at the Asset Liability Management Committee meetings during the FY 2017-18 is given in the table below:

Name of the Committee member	No. of Asset Liability Management Committee meetings	
	Held	Attended
Mr. Rakesh Singh	12	9
Mr. Tushar Shah	12	9
Mr. Sekhar Mosur	12	10
Mr. Ajay Singh	12	9
Mr. Sanjay Miranka	12	12
Mr. Devang Rawal	12	9
Mr. Rajeev Sharma	12	2
Mr. Chandramohan Amritkar	12	12
Mr. Hitesh Ednani	12	7
Mr. Prosenjit Aich	12	1
Mr. Nirmal Kishore	12	11

**C) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee was formed to recommend to the Board the appointment of Directors, Manager, senior management and Key Managerial Personnel. The Committee also decides the remuneration payable to Directors and Manager. The Committee also ensures fit and proper status of existing / proposed directors. The Committee is formed as per the provisions of the Companies Act, 2013 and the RBI Regulations.

**a) Composition of Nomination and Remuneration Committee**

The Nomination and Remuneration Committee comprises of the following Members:

- Mr. Jitender Balakrishnan
- Mr. D J Kakalia
- Mr. Ajay Srinivasan
- Mr. B N Puranmalka

**b) Meetings of Nomination and Remuneration Committee (NRC) and attendance of NRC members**

The attendance of the Nomination and Remuneration Committee members at the NRC meetings during the FY 2017-18 is given in the table below:

Name of the Committee member	No. of Nomination and Remuneration Committee meetings during the FY 2017-18	
	Held	Attended
Mr. Jitender Balakrishnan	5	4
Mr. D J Kakalia	5	5
Mr. Ajay Srinivasan	5	4
Mr. B N Puranmalka	5	4

#### **D) Corporate Social Responsibility (CSR) Committee**

The CSR Committee had been constituted pursuant to the provisions of Section 135 of the Companies Act, 2013.

##### **a) Composition of CSR Committee**

The CSR Committee comprises of the following Members:

- Mr. Ashwani Puri
- Mr. Ajay Srinivasan
- Mr. B N Puranmalka

In addition to the above Board members, Mrs. Rajashree Birla, Dr. (Mrs.) Pragnya Ram and Mr. Rakesh Singh are permanent invitees at the Committee.

##### **b) Meeting(s) of CSR Committee and attendance of CSR Committee members**

All the CSR Committee members had attended the single CSR Committee meeting held on October 31, 2017.

#### **E) IT Strategy Committee**

The IT Strategy Committee has been constituted as per the requirements of RBI's master directions on Information technology, at the Board meeting held on October 26, 2017 comprising of the following members (as on date of this report):

Ms. Vijayalakshmi Iyer, Chairman (Independent Director)  
Mr. Rakesh Singh  
Mr. Sekhar Mosur  
Mr. Sanjay Miranka  
Mr. Ankur Kapoor  
Mr. Gopakumar Panicker

The Board at its meeting held on May 5, 2018 has changed the nomenclature of the IT Strategy Committee to 'IT Strategy & Information Security Steering Committee'.

#### **IV) Disclosures**

##### **A) Related Party Transactions**

The related party transactions of the Company are periodically placed and reviewed by the Audit Committee of the Company which in turn briefs the Board at the Board meetings. The details have also been provided for in the Directors report.

##### **B) Performance Evaluation of Board**

A formal evaluation mechanism has been adopted for evaluating the performance of the Board, Committees thereof, individual directors and the Chairman of the Board. The evaluation is based on criteria which includes, among others, providing strategic perspective, chairmanship of Board and Committees, attendance and preparedness for the meetings, contribution at meetings, effective decision making ability, role of the Committees. The Independent Directors at their meeting held on February 7, 2018,

had completed the performance evaluation exercise. The non-executive Directors too had completed the performance evaluation exercise and submitted their feedback.

**C) Remuneration of Directors**

Based on the recommendation of the Nomination & Remuneration Committee, all decisions relating to remuneration of Directors are taken by the Board of your Company in accordance with the shareholder's approval, wherever necessary. Apart from sitting fees, travelling, lodging and other incidental expenses with respect to attending Meetings of Board/ Committees payable to the Independent Directors, no other remuneration is being paid to any of the Directors.

**D) Shareholders & General information**

**a) General Body Meetings**

The particulars of the last three Annual General Meetings (AGMs) of the Company are provided in the below Table:

<b>AGM</b>	<b>Year</b>	<b>Date of the AGM</b>	<b>Time</b>	<b>Venue</b>
26 <sup>th</sup>	2017	02/06/2017	10:30 a.m.	Registered Office
25 <sup>th</sup>	2016	26/08/2016	10:30 a.m.	Registered Office
24 <sup>th</sup>	2015	28/08/2015	10:30 a.m.	Registered Office

**b) General Shareholder Information**

Date, Time and Venue of the 27 <sup>th</sup> Annual General Meeting	June 5, 2018, 9.30 a.m., Indian Rayon Compound, Veraval, Gujarat – 362 266
Year	2018
Corporate Identification Number (CIN) / Registration no. of the Company as per Companies Act with the Registrar of Companies	U65990GJ1991PLC064603
Permanent Account Number (PAN)	AABCB5769M
Address for correspondence	One Indiabulls Centre, Tower 1, 18th Floor, Jupiter Mill Compound, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013

## Related Party Transactions

Form AOC -2

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

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

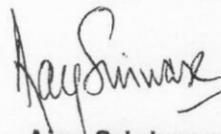
**1. Details of contracts or arrangements or transactions not at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any: (Rupees, in lakh)	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188
NIL							

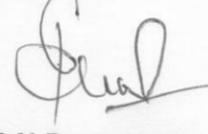
**2. Details of material contracts or arrangements or transactions at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements / transactions	Duration of the contracts / arrangements / transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
NIL					

For and on behalf of the Board



Ajay Srinivasan  
Director  
DIN - 00121181



B N Puranmalka  
Director  
DIN - 00007432

Place: Mumbai  
Date: May 5, 2018

## Aditya Birla Group

### Executive Remuneration Philosophy

At the Aditya Birla Group, we expect our executive team to foster a **culture of growth and entrepreneurial risk-taking**. Our Executive Compensation Philosophy supports the design of programs that **align executive rewards** – including incentive programs, retirement benefit programs, promotion and advancement opportunities – **with the long-term success of our stakeholders**. Our reward programs recognize and reward executives who display initiative, deliver superior individual performance, and contribute to sustainable corporate and business success.

#### ***Our business and organizational model***

Our Group is a **conglomerate** and organized in a manner such that there is **sharing of resources and infrastructure**. This results in uniformity of business processes and systems thereby **promoting synergies and exemplary customer experiences**.

#### ***I. Objectives of the Executive Remuneration Program***

Our executive compensation program is designed to **attract, retain, and reward** talented executives who will contribute to our **long-term success** and thereby **build value for our shareholders**.

Our executive compensation program is intended to:

1. Provide for monetary and non-monetary remuneration elements to our executives on a **holistic** basis
2. Emphasize “**Pay for Performance**” by aligning incentives with business strategies to reward executives who achieve or exceed Group, business and individual goals.

#### ***II. Covered Executives***

Our Executive Compensation Philosophy applies to the following:

1. Directors of the Company
2. Key Managerial Personnel : CFO, CS, any others CEO equivalent (ex: Deputy Managing Director)
3. Senior Management.

### **III. Business and Talent Competitors**

We benchmark our executive pay practices and levels against **peer companies in similar** industries, geographies and of similar size. In addition to this, we look at **secondary reference (internal and external) benchmarks** in order to ensure that pay policies and levels across the Group are generally **equitable internally** and support the Group's **global mobility objectives** for executive talent. The additional reference points may take into account the executive pay practices and pay levels in other markets and industries, recognizing the differences in levels and medium of pay.

### **IV. Executive Pay Positioning**

We aim to provide **competitive remuneration opportunities** to our executives by positioning target total remuneration (including perks and benefits, annual incentive pay-outs, long term incentive pay-outs at target performance) and target total cash compensation (including annual incentive pay-outs) at target performance **directionally between median and top quartile** of the primary talent market. We recognize the **size and scope** of the role and the **market standing, skills and experience** while positioning our executives.

We use secondary market data only as a reference point for determining the types and amount of remuneration while principally believing that target total remuneration packages should reflect the typical cost of comparable executive talent available in the sector.

### **V. i. Executive Pay-mix**

Our executive pay-mix aims to strike the **appropriate balance** between key components: **(i) Fixed Cash compensation (Basic Salary + Allowances) (ii) Annual Incentive Plan (iii) Long-Term Incentives (iv) Perks and Benefits.**

### **ii. Performance Goal Setting**

We aim to ensure that for both annual incentive plans and long term incentive plans, the target performance goals shall be **achievable and realistic.**

**Threshold performance** (the point at which incentive plans are paid out at their minimum, but non-zero, level) shall reflect a base-line level of performance, reflecting an estimated **90% probability of achievement.**

**Target performance** is the **expected level of performance** at the beginning of the performance cycle, taking into account all known relevant facts likely to impact measured performance.

**Maximum performance** (the point at which the maximum plan payout is made) shall be based on an exceptional level of achievement, reflecting no more than an estimated **10% probability of achievement**.

**VI. i. Performance Measurement**

**Annual Incentive Plan:**

We tie annual incentive plan pay-outs of our executives to **relevant financial and operational metrics achievement and their individual performance**. We **annually align** the financial and operational metrics with priorities/ focus areas for the business.

**Long-Term Incentive:**

Our Long-term incentive plans incentivize **stretch performance**, link executive remuneration to **sustained long term growth** and act as an **attraction and retention tool**

We use stock options as the primary long-term incentive vehicle for our executives as we believe that they best align executive incentives with stockholder interests. We grant restricted stock units, as a secondary long term incentive vehicle, to motivate and retain our executives.

**ii. Executive Benefits and Perquisites**

Our executives are eligible to participate in our broad-based retirement, health and welfare, and other employee benefit plans. In addition to these broad-based plans, they are eligible for **other benefits plans commensurate with their roles**. These benefits are designed to encourage long-term careers with the Group. They are also eligible for certain perquisites with **each perquisite serving a clear business purpose or need**.

**Other Remuneration Elements**

Each of our executives is subject to an **employment agreement**. Each such agreement generally provides for a total remuneration package for our executives.

We **limit other remuneration elements**, for e.g. Change in Control (CIC) agreements, severance agreements, to instances of compelling business need or competitive rationale and we **do not provide for any tax gross-ups** for our executives.

### ***Risk and Compliance***

We aim to ensure that the Group's remuneration programs **do not encourage excessive risk taking**. We review our remuneration programs for factors such as

1. Remuneration mix overly weighted towards annual incentives
2. Uncapped pay-outs
3. Unreasonable goals or thresholds
4. Steep pay-out cliffs at certain performance levels that may encourage short-term decisions to meet pay-out thresholds

### **Claw back Clause:**

In an incident of restatement of financial statements due to fraud or non-compliance with any requirement of the Companies Act 2013 and the rules made thereafter, we shall recover from our executives the remuneration received in excess of what would be payable to him / her as per restatement of financial statements the executives is obligated to pertaining to the relevant performance year.

### ***Implementation***

The Group and Business Centre of Expertise teams will assist the Nomination & Remuneration Committee in **adopting, interpreting and implementing** the Executive Remuneration Philosophy. The costs of these services will be established through “arm’s length”, market-based agreements entered into as needs arise in the normal course of business.

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
as on the financial year ended on March 31, 2018  
of Aditya Birla Finance Limited

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

1.	CIN	:	U65990GJ1991PLC064603
2.	Registration Date	:	August 28, 1991
3.	Name of the Company	:	Aditya Birla Finance Limited
4.	Category / Sub- Category of the Company	:	Public Limited – Limited by shares and company having share capital
5.	Address of the Registered Office	:	Indian Rayon Compound, Veraval, Gujarat – 362 266
	Contact details	:	Tel. No. - 022 43567000
6.	Whether listed company	:	Yes (only Debentures are listed on National Stock Exchange of India Limited and BSE Limited)
7.	Name, Address of Registrar & Transfer Agents (RTA), if any	:	Link Intime India Private Limited C 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai 400 083
	Contact details of RTA	:	Tel. No. +91 22 2596 3838; Fax no: +91 22 2594 6969; Email : isrl@intimespectrum.com

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Non-Banking finance Company engaged in lending and allied activities	997113	97.95%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –**

Sl. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Aditya Birla Capital Limited, (formerly known as Aditya Birla Financial Services Limited) Indian Rayon Compound, Veraval, Gujarat 362266	L67120GJ2007 PLC058890	Holding Company	100%	2(46)



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year %				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(f) Insurance Companies	-	-	-	-	-	-	-	-	-
(g) FIs	-	-	-	-	-	-	-	-	-
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
(a) Bodies Corp.	-	-	-	-	-	-	-	-	-
(i) Indian	-	-	-	-	-	-	-	-	-
(ii) Overseas	-	-	-	-	-	-	-	-	-
(b) Individuals	-	-	-	-	-	-	-	-	-
(i) Individual shareholders holding nominal share capital upto Rs 1 lakh	-	-	-	-	-	-	-	-	-
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
(c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b> Total Public Shareholding (B)=(B)(1)+(B) (2)	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	580288679	47119898*	627408577	100.00	638279917	7396560*	645676477	100.00	2.91%

\* 60 shares are held by individuals as nominees of ABCL.

(ii) Shareholding of Promoters

Sl. No.	Shareholder's name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / Encumbered to total shares	
1.	Aditya Birla Capital Limited	566135431*	90.23	-	645676477*	100.00	-	9.77
2.	Aditya Birla Nuvo Ltd.	61273146	9.77	-	-	-	-	(9.77)
	Total	627408577	100.00	-	645676477	100.00	-	-

\* 60 shares are held by individuals as nominees of ABCL.

(iii) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Shareholder's name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year	Not Applicable			
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease				
	At the End of the year (or on the date of separation, if separated during the year)	Not Applicable			

(iv) **Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No	Particulars		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Aditya Birla Capital Limited (ABCL)</b>					
	At the beginning of the year		566135431	90.23	566135431	90.23
	Increase / (Decrease) in Promoters Shareholding during the Year specifying the reasons for increase / decrease	Transfer from ABNL	61273146	9.77	627408577	100
		subscription to Rights issue	3955700	0.63	631364277	100
			3955700	0.62	635319977	100
			2960000	0.46	638279977	100
			7396500	1.15	645676477	100
	At the end of the year				645676477	100
2	<b>Aditya Birla Nuvo Ltd. (ABNL)</b>					
	At the beginning of the year		61273146	9.77	61273146	9.77
	Decrease in Promoters Shareholding during the Year – <b>Transferred to ABCL</b>		61273146	-	61273146	-
	At the end of the year		-	-	-	-

(v) **Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	Shareholder's name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	<b>For Each of the Directors and KMP</b>				
	At the beginning of the year	Nil			
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease				
	At the End of the year	Nil			

## V. INDEBTEDNESS

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

(Rs in Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1,994,020.17	897,294.91	-	2,891,315.08
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	66,291.41	5,991.52	-	72,282.93
<b>Total (i+ii+iii)</b>	<b>2,060,311.58</b>	<b>903,286.43</b>	<b>-</b>	<b>2,963,598.01</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	2,539,581.15	6,392,860.99		8,932,442.13
Reduction	1,976,634.89	6,222,500.00		8,199,134.89
<b>Net Change</b>	<b>562,946.26</b>	<b>170,360.99</b>	<b>-</b>	<b>733,307.25</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	2,556,966.43	1,067,655.90	-	3,624,622.33
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	75,909.74	8,409.25	-	84,318.99
<b>Total (i+ii+iii)</b>	<b>2,632,876.17</b>	<b>1,076,065.15</b>	<b>-</b>	<b>3,708,941.32</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(in Rs unless stated otherwise)

Particulars of Remuneration	Name of MD/WTD/ Manager – Mr. Sekhar Mosur			Total Amount
	Manager	MD	WTD	
Gross salary				
(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,01,92,728	N.A.	N.A.	1,01,92,728
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL			NIL
(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	NIL			NIL
Stock Option*	(refer note below)			
Sweat Equity	NIL			NIL
Commission	NIL			NIL
- as % of profit				
- others, specify...				
Others, please specify - <b>Variable pay</b>	57,10,953			57,10,953
<b>Reimbursements</b>	3,45,000			3,45,000
Total (A)	1,62,48,681			1,62,48,681
<b>Ceiling as per the Act (5%)</b>	<b>Rs in Lakh</b>			5,501.78

\* Aditya Birla Capital Limited has granted 1,05,699 Stock Options each Option equivalent to one equity share, to Mr. Sekhar Mosur.

B. Remuneration to other directors:

(in Rs unless stated otherwise)

Sl. No.	Particulars of Remuneration	Name of Directors						Total Amount
		Mr. D J Kakalia	Mr. Jitender Balakrishnan	Mr. Ashwani Puri	Ms. Alka Bharucha	Mr. Baldev Raj Gupta	Ms. Iyer	
	1. Independent Directors							
	• Fee for attending board / committee meetings	4,35,000	2,90,000	3,20,000	2,50,000	2,50,000	1,20,000	16,65,000
	• Commission	-	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-	-
	Total (1)	4,35,000	2,90,000	3,20,000	2,50,000	2,50,000	1,20,000	16,65,000
	2. Other Non-Executive Directors	-	-	-	-	-	-	-
	• Fee for attending board / committee meetings	-	-	-	-	-	-	-
	• Commission	-	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-
	Total (B)=(1+2)	4,35,000	2,90,000	3,20,000	2,50,000	2,50,000	1,20,000	16,65,000
	Total Managerial Remuneration	(A + B)						1,79,13,681
	Overall Ceiling as per the Act (11%)	<b>Rs in Lakh</b>						<b>12,103.91</b>

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/ MANAGER/ WTD

(in Rs.)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		Mr. Rakesh Singh, CEO	Mr. Sanjay Miranka, CFO	Mr. Ankur Shah, CS	Total
1	Gross salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	2,62,83,219	1,02,06,603	30,25,902	3,95,15,724
2	Stock Option	(refer note below)			
3	Sweat Equity	NIL	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL	NIL
5	Others: Variable pay	3,05,88,940	56,13,390	10,02,911	372,05,241
	Total	5,68,72,159	1,58,19,993	40,28,813	7,67,20,965
	Ceiling as per the Act	NOT APPLICABLE			

\* Aditya Birla Capital Limited has granted 2,41,600 Stock Options to Mr. Rakesh Singh, 63,420 Stock Options to Mr. Sanjay Miranka and 750 Stock Options to Mr. Ankur Shah, each Option equivalent to one equity share.

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties / punishment / compounding of offences for year ended 31st March, 2018.

**FORM No. MR-3**

**SECRETARIAL AUDIT REPORT**

For the financial year ended 31<sup>st</sup> March, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members  
**Aditya Birla Finance Limited**  
Indian Rayon Compound  
Veraval -362266  
Gujarat

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Aditya Birla Finance Limited** (hereinafter called 'the Company') for the period covering the financial year ended on 31<sup>st</sup> March 2018 (hereinafter called "the audit period"). 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 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 audit period according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder to the extent of transfer of securities;
- (iv) 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 and Listing of Debt Securities Regulations, 2008; and
- (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
- (v) The only specific law applicable to the Company is Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 as Amended and other relevant guideline and circulars issued by the Reserve Bank of India from time to time.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India.

During the audit period, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

During the audit period, provisions of the following Act/ Regulations though specified in the format of Form No. MR-3, were not applicable to the Company:

- (i) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (ii) The following Regulations and Guidelines prescribed under the SEBI Act:-
  - a. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - b. 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;
  - c. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;



- e. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
- f. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

We further report that -

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

Adequate notices is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, 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.

Decisions at the meetings of the Board of Directors of the Company were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the audit period.

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, the following specific event/ action having a major bearing on the Company's affairs were held:-

1. The Company has altered its Article of Association through insertion of a new Article 51 (a) after the existing Article 51 for giving authority to the Board to carry out changes in the debentures issued by the Company in line with the provisions of SEBI circular No. CIR/ IMD/ DF-1/67/2017 dated 30.06.2017.
2. The Company has obtained approval from its Member at its Annual General Meeting held on 2<sup>nd</sup> June, 2017:
  - a. To Borrow funds not exceeding Rs. 50,000 Crore (rupees fifty thousand crore),



- b. To grant authority for mortgaging or creating charge on Company assets as security towards borrowing not exceeding Rs 50,000 Crore (rupees fifty thousand crore); and
  - c. Authorizing the issue of Secured Redeemable Non-Convertible Debenture for amount not exceeding Rs. 25,000 Crore (rupees twenty five thousand crore) and Sub-ordinated debt for amount not exceeding Rs. 2,500 crore (rupees two thousand five hundred crore) and perpetual debt not exceeding Rs. 700 crore (rupees seven hundred crore). And debt on overseas market amount not exceeding Rs. 2,000 crore (rupees two thousand crore).
3. The Company has obtained approval from its Members at their Extraordinary General Meeting held on August 09, 2017, authorising the issue of unsecured redeemable NCDs (not qualifying as perpetual/ sub-debt, but senior to these debentures) for an amount not exceeding Rs. 2,000 Crore.
  4. The Company has Issued and allotted 39,55,700 equity shares of face value of Rs. 10/- each at price of Rs. 316/- per share (including Rs.306/- premium) aggregating to Rs.125,00,01,200/- on September 18, 2017 on rights basis.
  5. The Company has Issued and allotted 39,55,700 equity shares of face value of Rs. 10/- each at price of Rs. 316/- per share (including Rs.306/- premium) aggregating to Rs.125,00,01,200/- on September 29, 2017 on rights basis.
  6. The Company has Issued and allotted 29,60,000 equity shares face value of Rs. 10/- each at price of Rs. 338/- (including Rs.328/- premium) aggregating to Rs. 100,04,80,000/- on December 28, 2017 on rights basis.
  7. The Company has Issued and allotted 73,96,500 equity share of company of face value of Rs. 10/- each at price of Rs. 338/- (including Rs. 328/- premium) aggregating to Rs. 250,00,17,000/- on March 28, 2018 on rights basis.
  8. The Company has paid dividend on Preference Shares for financial year 2016-17, aggregating to Rs. 96,96,704/- (including of Rs. 16,40,129 dividend distribution tax).
  9. The Company has carried out mutation of 1,00,00,000 @ 8% redeemable preference shares held by its ultimate parent company viz. Grasim Industries Limited in favour of Aditya Birla Capital Limited by way of transfer deed dated 04.08.2017 pursuant to the Scheme of Arrangement between Aditya Birla Nuvo Limited, Aditya Birla Capital Limited (Formerly knows Aditya Birla Financial Service Limited) and the Grasim Industries Limited which was approved by the National Company Law Tribunal bench at Ahmedabad dated 01.06.2017.



10. The Company has issued and allotted the sub-debt of Rs. 165 crore, Perpetual Debt instrument of Rs. 200 crore, Non-Convertible Debentures of Rs. 3,260 crore during the financial year 2017-18.
11. The Company and the other group companies were required to obtain license with UIDAI. So for the sake of convenience it was decided that the Company will acquire license for which application is made to UIDAI and then enter into an agreement with the other group companies as a sub-AUA.

Place: Mumbai  
Date: May 5, 2018



For BNP & Associates  
Company Secretaries

  
Avinash Bagul  
Partner  
FCS No. 5578  
COP No. 19862

**Note:** - 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 I to the Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2018**

To,  
The Members,  
Aditya Birla Finance Limited

1. The compliance of provisions of all laws, rules, regulations, standards applicable to **Aditya Birla Finance Limited** (the 'Company') is the responsibility of the management of the Company. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Company. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Company, along with explanations where so required.
3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and major events during the audit period.



**BNP**  
**& Associates**  
Company Secretaries

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 BNP & Associates  
Company Secretaries

A handwritten signature in blue ink, appearing to read "Avinash Bagul", written over a horizontal line.

**Avinash Bagul**  
Partner  
FCS No. 5578  
COP No. 19862

Place: Mumbai  
Date: May 5, 2018

**REPORT ON CSR ACTIVITIES/ INITIATIVES**  
**[Pursuant to Section 135 of the Act & Rules made thereunder]**

**1. A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and reference to the web-link to the CSR Policy and projects or programmes**

For us in the Aditya Birla Group, reaching out to underserved communities is part of our DNA. We believe in the trusteeship concept. This entails transcending business interests and grappling with the "quality of life" challenges that underserved communities face, and working towards making a meaningful difference to them.

Our vision is - "to actively contribute to the social and economic development of the communities in which we operate. In so doing build a better, sustainable way of life for the weaker and marginalized sections of society and raise the country's human development index"

- Mrs. Rajashree Birla, Chairperson, Aditya Birla Centre for Community Initiatives and Rural Development.

**Implementation process:**

Identification of projects - All projects are identified in consultation with the community in a participatory manner, literally sitting with them and gauging their basic needs. We recourse to the participatory rural appraisal mapping process. Subsequently, based on a consensus and in discussion with the village panchayats, and other stakeholders, projects are prioritized.

Arising from this, our focus areas that have emerged are Education, Health care, Sustainable livelihood, Infrastructure development, and espousing social causes. All of our community projects/ programmes are carried out under the aegis of The Aditya Birla Centre for Community Initiatives and Rural Development. Our activities are in line with Schedule VII of the Companies Act, 2013.

Your Company has framed a CSR Policy in compliance with the provisions of the Companies Act, 2013 which is accessible from our Company's website. ([www.abfl.adityabirlacapital.com](http://www.abfl.adityabirlacapital.com))

**2. The Composition of CSR Committee is provided below:**

- a) Mr. Ashwani Puri
- b) Mr. Ajay Srinivasan
- c) Mr. B N Puranmalka

**Permanent Invitees:**

- d) Mrs. Rajashree Birla, Chairperson – Aditya Birla Centre for Community Initiatives and Rural Development
- e) Dr. Pragnya Ram - Group Executive President, Corporate Communications and CSR
- f) Mr. Rakesh Singh - Chief Executive Officer

**3. Average Net Profit of the Company for last 3 financial years: Rs 621.71 crore**

4. Prescribed CSR expenditure (2% of amount as in item no. 3 above): Rs 12.44 crore

5. Details of CSR activities/projects undertaken during the year:

- a) total amount to be spent for the financial year – Rs 12.44 crore
- b) amount un-spent, if any – Rs 7.10 crore
- c) manner in which the amount spent during financial year is detailed below:

(Amount in Rs)

Sr. No.	CSR project/ activity identified	Sector in which the Project is covered	Projects/Programmes 1.Local area/others- 2.specify the state /district (Name of the District/s, State/s where project/ programme was undertaken	Amount outlay (budget) project/ programme wise	Amount spent on the project/ programs <u>Sub-heads:</u> 1.Direct expenditure on project or programs 2.Overheads:	Cumulative expenditure up to the reporting period	Amount spent: Direct/ through implementing agency*
1.	Myrada	Women Empowerment & sustainable livelihood	Others; Karnataka, Dist. Chitradurga, Holalkere taluka	79,00,000	22,00,000	79,00,000	All expenses are incurred directly by the Company
2.	Sakhi Samudaya Kosh	Financial Literacy	Local area; Maharashtra, Solapur Dist.	70,03,500	29,09,632	70,03,500	
3.	Asmitha	Vocational Training	Local area; Maharashtra, Mumbai	15,75,000	3,50,220	15,75,000	
4.	Army Central Welfare Fund	Women Empowerment & sustainable livelihood	pan India	3,00,00,000	1,50,00,000	300,00,000	
5.	Arpan	Personal Safety Education to prevent instances of child sexual abuse	Local area; Maharashtra, Mumbai	50,00,000	25,00,000	50,00,000	
6.	Cancer Patients Aid Association	Chemotherapy of underprivileged children	Local area; Maharashtra, Mumbai	75,00,000	50,00,000	75,00,000	
7.	CII Foundation	Infrastructural support	Local area; West Bengal, Kolkata	50,00,000	25,00,000	50,00,000	

Sr. No.	CSR project/ activity identified	Sector in which the Project is covered	Projects/Programmes 1.Local area/others- 2.specify the state /district (Name of the District/s, State/s where project/ programme was undertaken	Amount outlay (budget) project/ programme wise	Amount spent on the project/ programs <u>Sub-heads:</u> 1.Direct expenditure on project or programs 2.Overheads:	Cumulative expenditure up to the reporting period	Amount spent: Direct/ through implementing agency*
8.	Don Bosco Tech Society	Sustainable livelihood and vocational training	Local area; Madhya Pradesh, Indore & Bhopal	1,09,00,000	49,00,000	1,09,00,000	All expenses are incurred directly by the Company All expenses are incurred directly by the Company
9.	Lords Education & Health Society	Refurbish the existing infrastructure of PHC/SC	Others; Rajasthan, Sawai Madhopur	133,34,400	60,00,750	113,35,150	
10.	The Pride India	Promoting Maternal and Child Health Care	Others; Maharashtra, Sastur, Osmanabad District,	56,00,000	21,00,000	56,00,000	
11.	Swabhiman A Disability Information	Education to Children with disability	Others; Odisha, Bhubaneshwar	80,00,000	58,50,000	78,00,000	
12.	Aditya Birla Foundation	Healthcare	Local area; Maharashtra, Mumbai	30,00,000	30,00,000	30,00,000	
13.	Samhita Social Ventures	Impact assessment	PAN India	15,00,000	11,08,474	11,08,474	
				<b>Total</b>	<b>5,34,19,076</b>	<b>10,37,22,124</b>	

\*Give details of implementing Agency.

**6. In case the company has failed to spend the 2% of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report**

The Company formulated its CSR policy in accordance with the directions specified in the Companies Act, 2013 read with the Rules. The Company is part of Aditya Birla Group and its overall vision is to actively contribute to the social and economic development of the communities in which the Group operates and in so doing build a better, sustainable way of life for the weaker and marginalized sections of society and raise the country's human development index.

During the previous two financial years, key projects were identified as part of the Company's CSR initiatives. All these projects were in the project mode and their implementation ranges up to 3 years. The releases of payment to these projects, linked with specific milestones, are made in tranches after evaluating the progress made in line with the mutually agreed schedule. This results in effective monitoring of the progress of the projects and ensuring long term sustainability and larger impact.

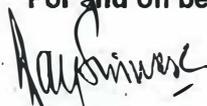
In FY 18, the Company spent Rs 5.34 crore and Rs 10.37 crore cumulatively till date towards CSR activities. During the year the Company identified some new projects towards CSR spend and had contributed towards the same as indicated above. Some of the CSR commitments were not fully contributed / initiated during the year. The Company has also entered into a MOU with the Department of Sports & Youth Welfare, Government of Madhya Pradesh for a contribution of Rs 1 crore p.a. for the next five financial years, but as the same was entered into towards the end of the year, no contribution was made during the year under consideration. Due to a combination of above reasons, the Company was not able to invest its entire CSR budget for the year.

The Company's key objective is to make a difference to the lives of the underprivileged and help bring them to self-sustaining level. There is a deep commitment to CSR engagement. We are continuously evaluating the new projects towards CSR activities. As a socially responsible caring Company, we desire to play a larger role in India's sustainable development. That our projects make a difference has been recognized.

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

The implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

For and on behalf of the Board .



**Ajay Srinivasan**  
Director  
DIN - 00121181



**Ashwani Puri**  
Chairman – CSR Committee  
DIN - 00160662

Place: Mumbai  
Date: May 5, 2018

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of Aditya Birla Finance Limited**

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. 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 the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### **Opinion**

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

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

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 purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 23.2 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 301003E/E300005



per **Jayesh Gandhi**  
Partner  
Membership Number: 037924  
Place: Mumbai  
Date: May 05, 2018



**Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date**

**Re: Aditya Birla Finance Limited ("the Company")**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Company does not hold any securities in physical form. The securities held as stock in trade by the custodian are verified with the confirmation statement received by the management from the custodian at regular intervals.

The Company is maintaining proper records of securities held as stock in trade and no discrepancies were noticed on comparing the statement from custodian with book records/books of account.

- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the director is interested to which provisions of section 185 of the Companies Act 2013 apply and the provisions of section 186 of the Companies Act 2013 are not applicable to the Company.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, goods and service tax, cess and other material statutory dues applicable to it. The provision relating to sales tax, value added tax, custom duty and excise duty are currently not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, goods and service tax, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed, provisions of sales tax, custom duty and excise duty are currently not applicable to the Company.



**Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date**

Re: Aditya Birla Finance Limited ("the Company")

- (c) According to the records of the Company, the dues outstanding of income-tax and service tax dues disputed by the Company, are as follows:

Name of the statute	Nature of Dues	Amount (Rs. in Lakhs)*	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demands	213.94	AY 2000-01	Income Tax Appellate Tribunal (ITAT)
		23.92	AY 2001-02	
		62.74	AY 2002-03	
		14.91	AY 2003-04	
		9.20	AY 2004-05	
		7.02	AY 2005-06	
		4.79	AY 2007-08	
		55.33	AY 2007-08	Income Tax Appellate Tribunal (ITAT) has restored back the matter to the file of Assessing Officer
		25.90	AY 2008-09	Income Tax Appellate Tribunal (ITAT)
		11.02	AY 2009-10	
		4.71	AY 2010-11	
		54.41	AY 2012-13	
		189.42	AY 2012-13	Commissioner of Income Tax (Appeals)
		47.80	AY 2013-14	Assessing Officer (AO)
		54.78	AY 2014-15	
0.36	AY 2015-16			
Finance Act, 1994 (Service Tax)	Service Tax Demand	361.48	FY 2008-09 to 2010-11	The Customs Excise and Service Tax Appellate Tribunal (CESTAT)
		69.84	FY 2014-15 to 2015-16	Commissioner of Service Tax

\*Net of payments made

- (viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government.
- (ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.
- Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.



**Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date**

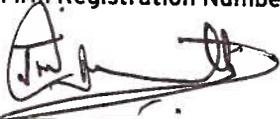
Re: Aditya Birla Finance Limited ("the Company")

- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per Jayesh Gandhi

Partner

Membership Number: 037924

Place of Signature: Mumbai

Date: May 05, 2018



**Annexure 2 to the Independent Auditor's report of even date on the financial statements of Aditya Birla Finance Limited**

Re: Aditya Birla Finance Limited ("the Company")

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

We have audited the internal financial controls over financial reporting of Aditya Birla Finance Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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.



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

**Annexure 2 to the Independent Auditor's report of even date on the financial statements of Aditya Birla Finance Limited**

Re: Aditya Birla Finance Limited ("the Company")

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

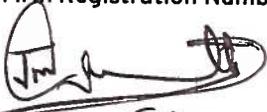
## **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per **Jayesh Gandhi**  
Partner

Membership Number: 037924

Place: Mumbai

Date: May 05, 2018



# Aditya Birla Finance Limited

## Balance Sheet as at 31 March, 2018

(Currency: ₹ in Lakhs)

I. EQUITY AND LIABILITIES	Notes	As at 31 March, 2018	As at 31 March, 2017
<b>(1) SHAREHOLDERS' FUNDS</b>			
(a) Share Capital			
(i) Equity	1	64,567.65	62,740.86
(ii) Preference	1	1,000.00	1,000.00
(b) Reserves and Surplus	2	<u>566,556.21</u>	<u>435,391.84</u>
		<u>632,123.86</u>	<u>499,132.70</u>
<b>(2) NON-CURRENT LIABILITIES</b>			
(a) Long-term borrowings	3a	1,930,823.12	1,594,663.52
(b) Other Long-term liabilities	5a	13,863.50	15,965.60
(c) Long-term provisions	6a	<u>30,432.99</u>	<u>20,440.40</u>
		1,975,119.61	1,631,069.52
<b>(3) CURRENT LIABILITIES</b>			
(a) Short-term borrowings	3b	1,264,449.19	991,251.54
(b) Trade payables	4		
- Micro and small enterprises		-	-
- Other than micro and small enterprises		13,341.44	10,552.04
(c) Other current liabilities	5b	522,854.60	402,668.27
(d) Short-term provisions	6b	<u>11,607.05</u>	<u>7,276.20</u>
		<u>1,812,252.28</u>	<u>1,411,748.05</u>
<b>Total</b>		<u><u>4,419,495.75</u></u>	<u><u>3,541,950.27</u></u>
<b>II. ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
(a) Fixed assets			
(i) Property, Plant and Equipments	7	1,911.45	1,390.52
(ii) Intangible assets	7	4,652.66	3,608.11
(iii) Intangible assets under development		817.05	661.42
(b) Non current investments	8a	29,675.15	6,487.57
(c) Deferred tax assets (Net)	9	10,207.80	7,678.81
(d) Loans and advances	10a	<u>2,975,616.54</u>	<u>2,453,515.01</u>
		<u>3,022,880.65</u>	<u>2,473,341.44</u>
<b>(2) CURRENT ASSETS</b>			
(a) Current investments	8b	87,308.88	79,420.00
(b) Stock of securities		-	58,278.52
(c) Trade receivables	11	2,830.12	1,185.82
(d) Cash and Cash Equivalent	12	7,089.29	13,571.83
(e) Loans and advances	10b	1,243,460.42	875,704.57
(f) Other current assets	13	<u>55,926.39</u>	<u>40,448.09</u>
		<u>1,396,615.10</u>	<u>1,068,608.83</u>
<b>Total</b>		<u><u>4,419,495.75</u></u>	<u><u>3,541,950.27</u></u>

Summary of significant accounting policies

22

The accompanying notes are an integral part of the financial statements.

23

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

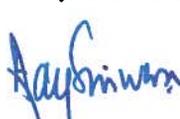
ICAI Firm Registration No: 301003E/E300005

per Jayesh Gandhi  
Partner

Membership No: 037924



For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited

  
Ajay Srinivasan  
(Director)  
(DIN - 00121181)

  
B. N. Purnamalka  
(Director)  
(DIN - 00007432)

  
Rakesh Singh  
(Chief Executive Officer)

  
Sanjay Miranka  
(Chief Financial Officer)

  
Sekhar Mosur  
(Manager)

  
Ankur Shah  
(Company Secretary)

Place: Mumbai

Date: 05 May, 2018

Place: Mumbai

Date: 05 May, 2018



# Aditya Birla Finance Limited

## Profit and Loss for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

Particulars	Notes	Year ended 31 March, 2018	Year ended 31 March, 2017
I. Revenue from Operations	14	447,999.75	342,469.60
II. Other Income	15	113.18	196.14
III. Total Revenue		<u>448,112.93</u>	<u>342,665.74</u>
IV. Expenses :			
Finance costs	16	259,589.39	207,706.13
Employee benefit expenses	17	34,166.07	24,985.00
Other expenses	18	26,990.11	15,421.11
Depreciation and amortization expenses	7	1,990.03	1,468.88
Provisions and write - offs (Net)	19	14,450.42	9,891.36
V. Total Expenses		<u>337,186.02</u>	<u>259,472.48</u>
VI. PROFIT BEFORE TAX (III - V)		<u>110,926.91</u>	<u>83,193.26</u>
VII. Tax expenses :			
(a) Current Tax		40,515.00	25,069.00
(b) Deferred Tax (Benefits)/ Expenses - (Net)		(2,528.98)	(203.75)
(c) (Excess)/ Short Provisions of Earlier years		(142.25)	(197.39)
VIII. PROFIT FOR THE YEAR (VI - VII)		<u>73,083.14</u>	<u>58,525.40</u>
IX. Basic and Diluted Earnings per share (Face value ₹ 10/-)	20	11.54	10.13

Summary of significant accounting policies 22

The accompanying notes are an integral part of the financial statements. 23

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

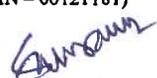
ICAI Firm Registration No: 301003E/E300005

per   
Jayesh Gandhi  
Partner  
Membership No: 037924

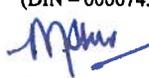


For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited

  
Ajay Srinivasan  
(Director)  
(DIN - 00121181)

  
Sanjay Miranka  
(Chief Financial Officer)

  
B. N. Purnanatha  
(Director)  
(DIN - 00007432)

  
Sekhar Mosur  
(Manager)

  
Rakesh Singh  
(Chief Executive Officer)

  
Ankur Shah  
(Company Secretary)

Place: Mumbai  
Date: 05 May, 2018

Place: Mumbai  
Date: 05 May, 2018



# Aditya Birla Finance Limited

## Cash Flow Statement for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

Particulars	For the year ended 31 March, 2018	For the year ended 31 March, 2017
<b>A. Cash Flow from operating activities</b>		
Profit before tax	110,926.91	83,193.26
<i>Adjustments for:</i>		
Depreciation / Amortisation	1,990.03	1,468.88
Provision for leave encashment	41.07	351.92
Provision for gratuity	(527.56)	395.95
Bad debts and Provision for Non-Performing Assets (Net)	7,432.36	3,452.05
Contingent provision on standard assets	5,276.38	4,190.65
General contingency provision	209.54	-
Provision for diminution on Investments (Net)	(21.47)	207.28
Provision for Diminution in value of Current Investments	121.12	-
Provision for employee benefits	656.94	(457.21)
Provision for Soft Accounts	1,450.00	2,023.00
(Gain)/Loss on sale of investments	(915.54)	(878.88)
(Gain)/Loss on sale of fixed assets	(0.89)	0.98
Dividend income	(86.21)	(5.56)
Interest income on investments	(10,827.84)	(3,449.17)
Sundry Balances written back	-	(55.61)
	<u>4,797.93</u>	<u>7,244.28</u>
Operating Profit before Working Capital changes	115,724.84	90,437.54
<i>Adjustments for:</i>		
(Increase)/Decrease in Trade Receivables	(1,644.31)	(602.12)
(Increase)/Decrease in Loans and Advances	(892,365.41)	(837,933.93)
Decrease/(Increase) in Stock of Securities	58,278.52	(25,258.51)
(Increase)/Decrease in Other Liabilities and Trade Payable	(3,076.39)	36,665.44
(Increase)/Decrease in Other assets	(15,478.29)	(6,859.87)
	<u>(854,285.88)</u>	<u>(833,988.99)</u>
Cash used in Operations	(738,561.04)	(743,551.45)
Direct Taxes Paid	(37,944.08)	(26,763.66)
	<u>(37,944.08)</u>	<u>(26,763.66)</u>
Net Cash used in Operating Activities (A)	(776,505.12)	(770,315.11)
<b>B. Cash flow from investing activities</b>		
Purchase of property, plant and equipments	(1,336.75)	(914.03)
Purchase of intangible assets including assets under development	(2,517.74)	(4,053.63)
Purchase of investments	(110,596.12)	(83,482.32)
Sale of investments	80,335.54	47,407.09
Dividend received	86.21	5.56
Sale of tangible assets	8.32	15.63
Interest income on investments	10,827.84	3,449.17
	<u>(23,192.69)</u>	<u>(37,572.53)</u>
Net Cash used in Investing Activities (B)	(23,192.69)	(37,572.53)



# Aditya Birla Finance Limited

## Cash Flow Statement for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

Particulars	For the year ended 31 March, 2018	For the year ended 31 March, 2017
<b>C. Cash flow from financing activities</b>		
Dividend on Preference Share and Corporate Dividend Tax	(96.97)	(98.39)
Proceeds from borrowings (Net)	733,307.25	750,418.49
Proceeds from issue of Equity Share Capital	1,826.79	5,632.98
Share Premium on proceeds from issue of Equity Share Capital	58,178.20	65,393.93
	<u>793,215.27</u>	<u>821,347.01</u>
<b>Net Cash from Financing Activities (C)</b>	<b>793,215.27</b>	<b>821,347.01</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)</b>	<u><b>(6,482.54)</b></u>	<u><b>13,459.37</b></u>
Cash and Cash Equivalents (Opening Balances)	13,571.83	112.46
Cash and Cash Equivalents (Closing Balances)	7,089.29	13,571.83
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<u><b>(6,482.54)</b></u>	<u><b>13,459.37</b></u>

### Note to Cash Flow Statement

#### Components of Cash and Cash Equivalents

Cheques in hand	5,528.17	-
Balances with Banks in Current Accounts	1,561.12	13,571.83
	<u>7,089.29</u>	<u>13,571.83</u>

As per our report of even date attached.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No: 301003E/E300005

per Jayesh Gandhi  
Partner  
Membership No: 037924



For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited

Ajay Srinivasan  
(Director)  
(DIN - 00121181)

B. N. Puranmalla  
(Director)  
(DIN - 00007432)

Rakesh Singh  
(Chief Executive Officer)

Sanjay Miranka  
(Chief Financial Officer)

Sekhar Mosur  
(Manager)

Ankur Shah  
(Company Secretary)

Place: Mumbai  
Date: 05 May, 2018

Place: Mumbai  
Date: 05 May, 2018



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	As at 31 March, 2018	As at 31 March, 2017
<b>1. Share Capital</b>		
<b>Authorised Shares</b>		
1,270,000,000 (31 March, 2017: 1,270,000,000) equity shares of ₹ 10/- each	127,000.00	127,000.00
1,010,000,000 (31 March, 2017: 1,010,000,000) preference shares of ₹ 10/- each	101,000.00	101,000.00
	<u>228,000.00</u>	<u>228,000.00</u>
<b>Issued, Subscribed and Fully Paid up Shares</b>		
<b>Equity Share Capital</b>		
645,676,477 (31 March, 2017: 627,408,577) equity shares of ₹ 10/- each, fully paid up	64,567.65	62,740.86
	<u>64,567.65</u>	<u>62,740.86</u>
<b>Preference Share Capital</b>		
10,000,000 (31 March, 2017: 10,000,000) 8% Cumulative Redeemable Preference Shares of ₹ 10/- each, fully paid up*	1,000.00	1,000.00
	<u>1,000.00</u>	<u>1,000.00</u>

### A) Reconciliation of the number of shares outstanding at the beginning and at the end of the year

Description	31 March, 2018		31 March, 2017	
	Number	₹ in lakhs	Number	₹ in lakhs
<b>I) Equity Share</b>				
Number of Shares outstanding at the beginning of the year	627,408,577	62,740.86	559,565,581	55,956.56
Number of Shares issued during the year (Refer note D (i) and (ii))	18,267,900	1,826.79	67,842,996	6,784.30
Number of Shares outstanding at the end of the year	<u>645,676,477</u>	<u>64,567.65</u>	<u>627,408,577</u>	<u>62,740.86</u>
<b>II) 0.01% Compulsory Convertible Cumulative Preference Shares</b>				
Number of Shares outstanding at the beginning of the year	-	-	175,000,000	17,500.00
Number of Shares issued during the year	-	-	-	-
Number of Shares converted during the year (Refer note D (ii))	-	-	(175,000,000)	(17,500.00)
Number of Shares outstanding at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>III) 8% Cumulative Redeemable Preference Shares</b>				
Number of Shares outstanding at the beginning of the year	10,000,000	1,000.00	10,000,000	1,000.00
Number of Shares issued during the year	-	-	-	-
Number of Shares outstanding at the end of the year	<u>10,000,000</u>	<u>1,000.00</u>	<u>10,000,000</u>	<u>1,000.00</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

### B) Term/right attached to equity shares

The Company has only one class of equity shares having a face value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

### C) Term of conversion/redemption of Preference Shares

Preference shares carry cumulative dividend. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company before conversion/ redemption of Cumulative Redeemable Preference Shares (CRPS), the holders of CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

\* CRPS 10,000,000 @ 8% of ₹ 10/- each fully paid up (31 March, 2017, 10,000,000) are redeemable at face value on or after March 25, 2019 but before March 25, 2029.

### D) Aggregate number of shares issued for consideration other than cash

	31 March, 2018	31 March, 2017
(i) Equity shares of Rs 10/- each, fully paid up allotted pursuant to the merger scheme for demerger of wealth undertaking of Aditya Birla Money Mart Limited (Refer note 23(11)).	-	10,277,778
(ii) Equity shares of Rs 10/- each, fully paid up allotted on conversion of 175,000,000 0.01% compulsory convertible cumulative preference shares of Rs 10 each, fully paid up.	-	11,513,158

### E) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Name of Share Holder	31 March, 2018		31 March, 2017	
	Number	Rs in lakhs	Number	Rs in lakhs
<b>I) Equity Share</b>				
(i) Aditya Birla Capital Limited (formerly known as Aditya Birla Financial Services Limited), holding company	645,676,417	64,567.64	566,135,371	56,613.54
(ii) Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	-	61,273,146	6,127.32
<b>II) 8 % Cumulative Redeemable Preference Shares of ₹10/- each, fully paid up</b>				
Aditya Birla Capital Limited, holding company	10,000,000	1,000.00	-	-
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	-	10,000,000	1,000.00



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

### F) Shares in the Company held by each shareholder holding more than 5 percent shares specifying the number of shares held

<u>Name of Share Holder</u>	31 March, 2018		31 March, 2017	
	Number	% of total paid-up equity capital	Number	% of total paid-up equity capital
<b>I) Equity Share of ₹10/- each, fully paid up</b>				
(i) Aditya Birla Capital Limited (formerly known as Aditya Birla Financial Services Limited), holding company	645,676,417	100.00%	566,135,371	90.23%
(ii) Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	-	61,273,146	9.77%
<b>II) 8% Cumulative Redeemable Preference Shares of ₹10/- each, fully paid up</b>				
(i) Aditya Birla Capital Limited (formerly known as Aditya Birla Financial Services Limited), holding company	10,000,000	100.00%	-	-
(ii) Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	-	10,000,000	100.00%
<b>G) Proposed Dividend</b>				
(i) Proposed dividend on 10,000,000 8% CRPS of ₹10/- each, fully paid up			31 March, 2018 80.00	31 March, 2017 80.57
(ii) Dividend Distribution Tax on proposed dividend			<u>16.29</u>	<u>16.40</u>
			<u>96.29</u>	<u>96.97</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	As at 31 March, 2018	As at 31 March, 2017
<b>2. Reserves and Surplus</b>		
<b>(I) Special Reserve *</b>		
Opening Balance	34,190.00	22,480.00
Addition: Amount transferred from surplus balance in the Statement of Profit and Loss	14,620.00	11,710.00
Closing Balance	<u>48,810.00</u>	<u>34,190.00</u>
<b>(II) Share Premium Account</b>		
Opening Balance	274,113.86	192,371.25
Addition on account of shares issued during the year	58,178.20	81,742.61
Closing Balance	<u>332,292.06</u>	<u>274,113.86</u>
<b>(III) General Reserve</b>		
Opening Balance	13,660.95	13,660.95
Addition during the year	-	-
Closing Balance	<u>13,660.95</u>	<u>13,660.95</u>
<b>(IV) Surplus as per statement of Profit and Loss</b>		
Opening Balance	113,427.03	66,611.63
<u>Addition</u>		
Profit for the year	73,083.14	58,525.40
<u>Less: Appropriation</u>		
Transfer to Special Reserve	14,620.00	11,710.00
Dividend on Preference Shares	80.57	-
Tax on Dividend	16.40	-
Closing Balance	<u>171,793.20</u>	<u>113,427.03</u>
	<u><u>566,556.21</u></u>	<u><u>435,391.84</u></u>

\*Special Reserve represents the reserve created pursuant to the Reserve Bank of India Act, 1934 (the "RBI Act"). In terms of Section 45-IC of the RBI Act, a Non-banking Finance Company is required to transfer an amount not less than 20 per cent of its net profit to a Reserve Fund before declaring any dividend. Appropriation from this Reserve Fund is permitted only for the purposes specified by RBI.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	As at 31 March, 2018	As at 31 March, 2017
<b>3a. Long-Term Borrowings</b>		
<b>Secured</b>		
Redeemable Non Convertible Debentures	907,740.00	770,390.00
Term Loan from Banks	850,783.99	688,474.39
	<u>1,758,523.99</u>	<u>1,458,864.39</u>
<b>Unsecured</b>		
Subordinate Debts - Debentures	149,900.00	133,400.00
Perpetual Debts	20,000.00	-
Compulsory Convertible Debentures	2,399.13	2,399.13
	<u>172,299.13</u>	<u>135,799.13</u>
	<u><u>1,930,823.12</u></u>	<u><u>1,594,663.52</u></u>

### 3b. Short-Term Borrowings

<b>Secured</b>		
Demand Loan from Banks	199,000.00	104,500.00
Loan repayable on demand from Banks (Cash Credit)	170,092.43	125,255.77
	<u>369,092.43</u>	<u>229,755.77</u>
<b>Unsecured</b>		
Term Loan / Demand Loan from Banks	-	20,000.00
Commercial Papers*	895,356.76	741,495.77
	<u>895,356.76</u>	<u>761,495.77</u>
	<u><u>1,264,449.19</u></u>	<u><u>991,251.54</u></u>

\* Commercial papers shown net of unamortised discounting charges ₹ 12,143.24 lakhs (31 March, 2017 ₹ 8,504.17 lakhs).



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	2018		2017	
	Current	Non Current	Current	Non Current
<b>I) Secured Long Term Borrowings</b>				
"The term loan from banks are secured by way of first pari passu charge on the receivables of the Company." The repayment terms and rate of interest of term loans are as under-				
Repayment Terms : Maturing within 1 year, Rate of Interest 7.40 % to 8.35 % p.a.	240,700.00	-	105,000.00	-
Repayment Terms : Maturing between 1 to 3 years, Rate of Interest 7.35 % to 8.45 % p.a.	-	425,533.32	-	341,724.39
Repayment Terms : Maturing after 3 years, Rate of Interest 7.60 % to 8.45 % p.a.	-	425,250.67	-	346,750.00
Debtentures Secured by way of mortgage on the immovable property and first pari- passu charge on current assets of the Company:				
Repayment Terms : Maturing within 1 year, Rate of Interest 7.45 % to 9.63 % p.a.	188,650.00	-	200,400.00	-
Repayment Terms : Maturing between 1 to 3 years, Rate of Interest 7.28 % to 9.49 % p.a.	-	658,690.00	-	528,240.00
Repayment Terms : Maturing after 3 years, Rate of Interest 7.26 % to 10.25 % p.a.	-	249,050.00	-	242,150.00
	<b>429,350.00</b>	<b>1,758,523.99</b>	<b>305,400.00</b>	<b>1,458,864.39</b>
<b>II) Unsecured Long term Borrowing</b>				
Subordinate Debts - Debtentures 8.25 % to 10.60 % p.a. (Redeemable from May, 2019 to May, 2027)	-	149,900.00	-	133,400.00
Perpetual Debts 8.31% p.a. (Maturing in July, 2027)	-	20,000.00	-	-
0.10% Compulsory Convertible Debtentures (Convertible in March, 2023)	-	2,399.13	-	2,399.13
	-	<b>172,299.13</b>	-	<b>135,799.13</b>
	<b>429,350.00</b>	<b>1,930,823.13</b>	<b>305,400.00</b>	<b>1,594,663.52</b>
<b>III) Secured Short Term Borrowings</b>				
Cash Credit secured by way of first pari-passu charge on receivables of the Company	170,092.43	-	125,255.77	-
Working Capital Demand Loan secured by way of first pari-passu charge on receivables of the Company - Rate of Interest 7.25% to 8.10 % p.a.	199,000.00	-	104,500.00	-
<b>IV) Unsecured Short Term Borrowings</b>				
Demand Loan from Banks - Rate of Interest 9.25% to 9.50 % p.a.	-	-	20,000.00	-
Commercial Papers - Rate of Interest 6.75 % to 7.92 % p.a.	895,356.76	-	741,495.77	-
	<b>1,264,449.19</b>	-	<b>991,251.54</b>	-



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	As at 31 March, 2018	As at 31 March, 2017
<b>4. Trade Payables</b>		
<b>Other than micro and small enterprises</b>		
Trade payables	7,727.84	6,273.50
Trade payables for salaries, bonus and other employee benefits	5,613.60	4,278.54
	<u>13,341.44</u>	<u>10,552.04</u>
<b>5a. Other Long Term Liabilities</b>		
Interest accrued	13,863.50	15,950.74
Income received in advance	-	14.86
	<u>13,863.50</u>	<u>15,965.60</u>
<b>5b. Other Current Liabilities</b>		
Current maturities of Long Term Borrowings (Refer note 3a (I))	240,700.00	105,000.00
Current maturities of Redeemable Non Convertible Debentures (Refer note 3a (I))	188,650.00	200,400.00
Interest accrued on Borrowings	70,455.49	56,332.19
Book Overdraft	13,369.82	36,527.16
Income received in advance	1,221.81	807.25
<b>Others</b>		
TDS Payable	218.83	199.91
Goods and Service Tax/Service Tax Payable	902.47	4.20
Other Statutory dues payable	157.69	104.39
Margin Money from Customers	129.47	226.76
Other Payable	7,049.02	3,066.41
	<u>522,854.60</u>	<u>402,668.27</u>
<b>6a. Long Term Provisions</b>		
Provision for Employee benefits	3,689.90	1,240.72
<b>Other Provisions</b>		
Contingent Provision against Standard Assets	11,816.29	8,517.02
Provision for Doubtful Debts and Advances	11,308.17	8,659.66
Provision for Soft Accounts	3,473.00	2,023.00
General Contingency Provision	145.63	-
	<u>30,432.99</u>	<u>20,440.40</u>
<b>6b. Short Term Provisions</b>		
Provision for Employee benefits	444.27	2,236.51
Provision for Leave Benefits	948.66	907.59
Provision for Gratuity (Refer note 23 (5))	70.48	598.03
<b>Other Provisions</b>		
Contingent Provision against Standard Assets	5,185.24	3,208.13
Provision for Income Tax (Net of advance tax ₹. 35,620.51 lakhs 31 March, 2017 ₹. 48,180.06 lakhs)	4,894.49	325.94
General Contingency Provision	63.91	-
	<u>11,607.05</u>	<u>7,276.20</u>



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018

(Currency ₹ in Lakhs)

**Note 7**

**Property, Plant & Equipments**

	Building	Plant & Equipments	Furniture & Fixtures	Vehicles	Office Equipments	Leasehold Improvements	Total
<b>Gross Block</b>							
As at 1 April, 2016	26.27	956.58	122.45	320.48	226.62	600.87	2,253.27
Acquisition from Merger (Refer note 23 (11))	-	266.47	133.96	3.17	117.59	155.36	676.55
Additions	-	505.05	10.58	266.80	86.22	14.97	883.62
Deletions/Adjustment	-	109.93	53.01	14.92	79.57	131.70	389.13
As at 31 March, 2017	26.27	1,618.17	213.98	575.53	350.87	639.50	3,424.31
Additions	-	475.88	34.91	334.81	86.85	268.39	1,200.84
Deletions/Adjustment	-	9.86	11.82	11.48	16.23	25.43	74.83
As at 31 March, 2018	26.27	2,084.20	237.07	898.86	421.49	882.46	4,550.32
<b>Accumulated Depreciation</b>							
As at 1 April, 2016	4.89	533.80	88.92	89.25	139.70	441.69	1,298.25
Acquisition from Merger (Refer note 23 (11))	-	205.33	113.66	0.30	110.24	143.17	572.70
For the year	0.46	225.31	33.35	90.27	64.66	119.54	533.59
Deletions/Adjustment	-	107.30	51.77	8.75	77.96	124.96	370.74
As at 31 March, 2017	5.35	857.15	184.16	171.07	236.64	579.44	2,033.80
Additions	0.46	350.83	34.66	132.47	68.31	85.77	672.49
Deletions/Adjustment	-	9.47	11.66	6.75	13.92	25.60	67.40
As at 31 March, 2018	5.81	1,198.51	207.17	296.78	291.03	639.60	2,638.89
Net block as at 31 March, 2018	20.46	885.68	29.90	602.07	130.46	242.85	1,911.45
Net block as at 31 March, 2017	20.92	761.03	29.82	404.46	114.22	60.07	1,590.52

**Intangible Assets**

	Goodwill	Trade Names and Other Business Rights	Software	Total
<b>Gross Block</b>				
As at 1 April, 2016	-	-	1,744.62	1,744.62
Acquisition from Merger (Refer note 23 (11))	-	367.18	301.25	668.43
Additions	2,545.52	-	1,558.68	4,104.20
Deletions/Adjustment	-	-	16.80	16.80
As at 31 March, 2017	2,545.52	367.18	3,587.75	6,500.45
Additions	-	-	2,362.11	2,362.11
Deletions/Adjustment	-	-	-	-
As at 31 March, 2018	2,545.52	367.18	5,949.86	8,862.56
<b>Accumulated Depreciation</b>				
As at 1 April, 2016	-	-	1,348.32	1,348.32
Acquisition from Merger (Refer note 23 (11))	-	367.18	258.22	625.40
For the year	509.10	-	426.18	935.29
Deletions/Adjustment	-	-	16.66	16.66
As at 31 March, 2017	509.10	367.18	2,016.06	2,892.35
Additions	509.10	-	808.44	1,317.54
Deletions/Adjustment	-	-	-	-
As at 31 March, 2018	1,018.21	367.18	2,824.50	4,209.89
Net block as at 31 March, 2018	1,527.31	-	3,125.36	4,652.66
Net block as at 31 March, 2017	2,036.42	-	1,571.69	3,608.11

**Notes :**

- 1) Redeemable Non Convertible Debentures are secured by charge on immovable property of the Company.
- 2) Office Equipments include Gross Assets amounting to ₹ 2.19 lakhs (31 March, 2017 : ₹ 2.19 lakhs) held jointly with Aditya Birla Sun Life Insurance Company Limited.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

As at  
31 March, 2018

As at  
31 March, 2017

### 8a. Non Current Investments

Long Term, Fully Paid up	Face value (₹)	Numbers	₹ in lakhs	Numbers	₹ in lakhs
<b>(A) Equity Shares</b>					
<b>Trade Investment Quoted</b>					
HDFC Bank Limited	2	-	-	1,300	0.04
MOIL Limited	10	24,490	45.92	12,245	45.92
<b>Unquoted</b>					
Birla Management Centre Services Limited	10	2,000	0.20	2,000	0.20
<b>(B) Preference Shares</b>					
<b>Non Trade Investment Quoted</b>					
Vedanta Limited					
7.50 % Non-Cumulative Non Convertible Redeemable Preference Shares	10	21,332,924	2,129.03	-	-
<b>Unquoted</b>					
Share Microfin Limited					
0.001 % Optionally Convertible Cumulative Redeemable Preference Shares	10	9,572,750	957.28	9,572,750	957.28
Tata Motors Finance Limited (formerly known as Sheba Properties Limited)					
8.20 % Compulsory Convertible Cumulative Preference Shares	100	10,000,000	20,000.00	-	-
<b>(C) Others</b>					
<b>Non Trade Investment Unquoted</b>					
PMS Investment			500.00		500.00
Investment in Alternate Fund			7,000.00		5,962.87
<b>Total (A+B+C)</b>			<u>30,632.43</u>		<u>7,466.31</u>
Less: Provision for diminution on investments			(957.28)		(978.74)
			<u>29,675.15</u>		<u>6,487.57</u>
i) Aggregate amount of Quoted Investments			2,174.95		45.96
ii) Aggregate amount of Unquoted Investments			27,500.20		6,441.61
iii) Aggregate market value of Quoted Investments			2,176.96		57.19
iv) Aggregate market value of PMS Investments			1,552.26		1,253.18
v) Aggregate provision for diminution in value of investments ₹ 957.28 lakhs (31 March, 2017 : ₹ 978.74 lakhs)					
vi) Non Current Investments valued at cost unless otherwise stated.					



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

As at  
31 March, 2018

As at  
31 March, 2017

### 8b. Current Investments

	Face value (₹)	Numbers	₹ in lakhs	Numbers	₹ in lakhs
<b>Trade Investment</b>					
<b>Non Convertible Debentures</b>					
<b>Unquoted</b>					
KKR Financial Services Private Limited	10,000,000	-	-	100	10,000.00
Vijaya Bank	1,000,000	8	80.00	1,947	19,470.00
OBC Bank	1,000,000	-	-	1,070	10,700.00
SD Corp Private Limited	10,000,000	50	5,000.00	50	5,000.00
Bank of Baroda	1,000,000	1,212	12,120.00	1,250	12,500.00
Allahabad Bank	1,000,000	-	-	175	1,750.00
ICICI Bank Limited	1,000,000	-	-	1,000	10,000.00
Axis Bank Limited	1,000,000	-	-	1,000	10,000.00
Hindalco Industries Limited	1,000,000	850	8,500.00	-	-
HPCL- MITTAL Pipelines Limited	1,000,000	2,000	20,000.00	-	-
Corporation Bank	1,000,000	250	2,487.00	-	-
Punjab And Sind Bank	1,000,000	686	6,860.00	-	-
Yes Bank	1,000,000	192	1,913.49	-	-
Punjab National Bank	1,000,000	285	2,755.69	-	-
State Bank of India	1,000,000	450	4,500.00	-	-
Classic Mall Development Limited	1,000,000	450	4,500.00	-	-
U.P. Power Corporation Ltd	1,000,000	260	2,592.70	-	-
Sunny View Estates Private Limited	1,000,000	1,600	16,000.00	-	-
			<u>87,308.88</u>		<u>79,420.00</u>
i) Aggregate amount of Unquoted Investments			87,308.88		79,420.00
ii) Aggregate amount of Quoted Investments			-		-
iii) Aggregate market value of Quoted Investments			-		-
iv) Aggregate provision for diminution in value of investments ₹. 121.12 lakhs(31 March, 2017 : ₹. Nil)			-		-
v) Current Investments are stated at lower of cost and market/fair values.					



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

As at  
31 March, 2018

As at  
31 March, 2017

### 9. Deferred Tax Assets (Net)

#### Deferred Tax Assets

Provision for Doubtful Debts	1,279.71	1,752.98
Contingent Provisions against Standard Assets	5,883.89	4,057.84
General Contingency Provision	72.52	-
Other Provisions	3,033.33	1,928.24
<b>Deferred Tax Liabilities</b>		
Depreciation	(61.65)	(60.25)

10,207.80      7,678.81

### 10a. Long-Term Loans and Advances

#### a. Secured, considered good

Loans	<u>2,540,911.98</u>	<u>2,060,317.45</u>
	2,540,911.98	2,060,317.45

#### b. Unsecured, considered good

(i) Loans	391,031.55	375,187.04
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#### (ii) Other Advances

- Advance Income Taxes (Net of provision for taxation ₹ 64,016.00 lakhs 31 March, 2017 : ₹ 38,947.00 lakhs)	3,031.41	891.54
- Security Deposits	1,873.28	1,204.26
- Prepaid Expenses	12.69	149.62
- Capital Advances	<u>182.68</u>	<u>46.77</u>
	396,131.61	377,479.23

#### c. Doubtful\*

Loans	<u>38,572.95</u>	<u>15,718.33</u>
	38,572.95	15,718.33

2,975,616.54      2,453,515.01

\* Represents non-performing assets classified as sub-standard and doubtful in accordance with norms for classification of assets as per RBI Prudential norms for Non-Banking Finance Companies.

### 10b. Short-Term Loans and Advances

#### a. Secured, considered good

Loans	<u>845,706.23</u>	<u>635,834.39</u>
	845,706.23	635,834.39

#### b. Unsecured, considered good

(i) Loans	394,728.70	238,117.53
-----------	------------	------------

#### (ii) Other Advances

- Loans and Advances to Related Parties	26.68	243.87
- Security Deposits	94.24	90.52
- Prepaid Expenses	941.38	707.38
- Goods and Service Tax/Service Tax Input Credit Receivable	1,154.96	272.15
- Other Advances	<u>808.23</u>	<u>438.74</u>
	397,754.19	239,870.18

1,243,460.42      875,704.57



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	As at 31 March, 2018	As at 31 March, 2017
<b>11. Trade Receivables</b>		
<b>Outstanding for a period exceeding six months</b>		
Doubtful	69.40	60.05
Less: Provision for Doubtful Debts	<u>(69.40)</u>	<u>(60.05)</u>
	-	-
<b>Other Receivables</b>		
Secured, considered good	1,063.11	185.17
Unsecured, considered good	1,767.01	1,000.65
Doubtful	-	12.81
Less: Provision for Doubtful Debts	<u>-</u>	<u>(12.81)</u>
	<u>2,830.12</u>	<u>1,185.82</u>
	<u>2,830.12</u>	<u>1,185.82</u>
<b>12. Cash and Cash Equivalent</b>		
Cheques in hand	5,528.17	-
Balances with Banks in Current Accounts	1,561.12	13,571.83
	<u>7,089.29</u>	<u>13,571.83</u>
<b>13. Other Current Assets</b>		
Other receivables	80.98	505.39
Interest Accrued but not due/Interest/Premium Receivable	55,845.41	39,942.70
	<u>55,926.39</u>	<u>40,448.09</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	Year ended 31 March, 2018	Year ended 31 March, 2017
<b>14. Revenue From Operations</b>		
<b><u>Interest Income on</u></b>		
Loans	394,857.14	308,024.40
Investments	11,582.26	3,830.87
Stock of Securities	4,000.18	4,708.54
	410,439.58	316,563.81
<b><u>Other Financial Income</u></b>		
Gain on sale of Investments (Net)	915.54	878.88
Gain on Stock of Securities (Net)	1,429.52	2,088.22
Syndication and Other Fee Income	25,941.10	17,043.31
Brokerage and Commission Income	9,187.80	5,889.81
Dividend Income on Investments	86.21	5.56
	37,560.17	25,905.79
	447,999.75	342,469.60
<b>15. Other Income</b>		
Miscellaneous Income	113.18	196.14
	113.18	196.14
<b>16. Finance Costs</b>		
Interest Expenses	196,237.66	161,324.58
Discounting charges on Commercial Paper	62,290.62	45,540.88
Other Borrowing Costs	1,061.11	840.67
	259,589.39	207,706.13
<b>17. Employee Benefit Expenses</b>		
Salaries, Bonus and Allowances	31,211.12	22,990.35
Contribution to Provident and Other Funds	871.32	1,062.15
Staff Welfare Expenses	1,378.90	932.50
Employee Stock Option Plan Expenses	704.73	-
	34,166.07	24,985.00



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

	Year ended 31 March, 2018	Year ended 31 March, 2017
<b>18. Other Expenses</b>		
Rent	2,722.52	1,860.28
Travelling and Conveyance	2,242.24	1,560.97
Water and Electricity	316.07	249.53
Repairs and Maintenance:		
Plant and Machinery	14.54	6.54
Others	1,290.11	743.28
Insurance	395.54	254.49
Communication Expenses	449.11	277.65
Legal and Professional Charges	3,917.08	2,323.12
Profit/Loss on Sale of Fixed Assets (Net)	(0.89)	0.98
Rates and Taxes	967.78	754.28
Printing and Stationery	308.34	195.56
Contract Service Charges	433.83	217.58
Information Technology Expenses	930.41	475.25
Business / Sales Promotion Expenses	1,877.80	413.00
Advertisement Expenses	549.75	420.14
Postage Expenses	140.42	67.84
Bank Charges	125.86	97.10
Brokerage and Commission	7,295.19	2,828.88
Corporate Social Responsibility (CSR) Expenses	534.19	859.38
Sub-Brokerage and Fees	987.31	1,165.48
Recruitment Expenses	256.79	123.46
Miscellaneous Expenses	1,236.12	526.32
	<u>26,990.11</u>	<u>15,421.11</u>

## 19. Provisions and Write - offs (Net)

Bad debts/Advances Written off	4,783.82	4,946.42
Provision for Doubtful Debts and Advances	7,318.01	3,594.41
Provision for Doubtful Debts written back	(4,669.50)	(5,088.77)
Provision for Diminution in value of Current Investments	121.12	22.08
Provision for Diminution in value of long term Investments	(16.87)	207.28
Provision for diminution in Investments written back	(22.08)	(3.71)
Contingent Provisions against Standard Assets	5,276.38	4,190.65
Provision for Soft Accounts	1,450.00	2,023.00
General Contingency Provision	209.54	-
	<u>14,450.42</u>	<u>9,891.36</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

31 March, 2018                      31 March, 2017

### 20. Earnings per Share (EPS)

Net Profit after Tax	73,083.14	58,525.40
Less: Dividend on Preference Shares (including Corporate Dividend Tax)	96.29	96.97
Net Profit after Tax available for equity shareholders	72,986.85	58,428.43
Weighted average number of equity shares outstanding (Numbers)	632,359,361	576,932,519
Basic and Diluted Earnings per share (₹)	<u>11.54</u>	<u>10.13</u>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

### 21A. Disclosure in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

Sr No.	Particulars	31 March, 2018		31 March, 2017	
		Amount out-standing	Amount overdue	Amount out-standing	Amount overdue
<b>Liabilities side :</b>					
1)	<b>Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>				
	(a) Debentures : Secured (including interest accrued but not due of ₹ 71,412.32 lakhs, 31 March, 2017 : ₹ 58,264.64 lakhs)	1,167,802.32	-	1,029,054.64	-
	: Unsecured (including interest accrued but not due of ₹ 7,213.84 lakhs, 31 March, 2017 : ₹ 5,991.80 lakhs) (other than falling within the meaning of public deposits*)	159,512.97	-	141,790.93	-
	(b) Perpetual Debts (including interest accrued but not due of ₹ 1,195.41 lakhs, 31 March, 2017 : ₹ Nil)**	21,195.41	-	-	-
	(c) Deferred Credits	-	-	-	-
	(d) Term Loans (including interest accrued but not due of ₹ 4,408.70 lakhs, 31 March, 2017 : ₹ 8,062.38 lakhs)	1,294,892.69	-	926,036.77	-
	(e) Inter-corporate loans and borrowing (including interest accrued but not due of ₹ Nil)	-	-	-	-
	(f) Commercial Paper	895,356.76	-	741,495.77	-
	(g) Other Loans (Cash Credit)	170,092.43	-	125,255.77	-
		<b>3,708,852.58</b>	<b>-</b>	<b>2,963,633.88</b>	<b>-</b>
* Please see Note 1 below and ** Please see Note 4 below.					
<b>Assets side :</b>					
2)	<b>Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :</b>				
	(a) Secured	3,386,618.21		2,696,151.84	
	(b) Unsecured :	824,359.88		629,221.49	
	(includes those in nature of loans and excludes Advances Recoverable in cash or kind or for value to be received, Advance Payment of Taxes and Other Deposits)				
3)	<b>Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities :</b>				
	(i) Lease assets including lease rentals under sundry debtors :				
	(a) Financial lease	-		-	
	(b) Operating lease	-		-	
	(ii) Stock on hire including hire charges under sundry debtors:				
	(a) Assets on hire	-		-	
	(b) Repossessed Assets	-		-	
	(iii) Other loans counting towards AFC activities				
	(a) Loans where assets have been repossessed	-		-	
	(b) Loans other than (a) above	-		-	
		<b>4,210,978.09</b>		<b>3,325,373.33</b>	





# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

21A. Continued

Category	31 March, 2018		31 March, 2017	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below				
1) Related Parties**				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2) Other than related parties	131,160.96	116,984.02	87,015.12	86,007.02
	<b>131,160.96</b>	<b>116,984.02</b>	<b>87,015.12</b>	<b>86,007.02</b>
Note: Break up value derived from the latest available Balance Sheet of the Company. ** As per Accounting Standard of ICAI (Please see Note 3)				
7) Other information :				
(i) Gross Non-Performing Assets :				
(a) Related parties	-	-	-	-
(b) Other than related parties	38,572.95		15,718.33	
(ii) Net Non-Performing Assets :				
(a) Related parties	-	-	-	-
(b) Other than related parties	27,275.26		7,069.14	
(iii) Assets acquired in satisfaction of debt :	-	-	-	-

### Notes:

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Non -Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.
- During the year ended 31 March, 2018 the Company has raised ₹ 20,000 lakhs (31 March, 2017 ₹ Nil) through perpetual debt instrument. Closing balance as on 31 March, 2018 is ₹ 20,000 lakhs (31 March, 2017 ₹ Nil), the same is 3.15% of tier 1 Capital as on 31 March, 2018.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

### 21B. Disclosure in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

#### a) Capital Risk Adequacy Ratio (CRAR)

Sr. No.	Items	Current Year	Previous Year
(i)	CRAR* (%)	17.90	17.33
(ii)	CRAR - Tier I capital (%)	14.62	13.69
(iii)	CRAR - Tier II Capital (%)	3.28	3.64
(iv)	Amount of subordinated debt raised as Tier-II capital (₹ in Crores)	1499.00	1334.00
(v)	Amount raised by issue of Perpetual Debt Instruments	200.00	-

\* The management has reduced the tenor of the subdebt of Rs 300 Crores, hence for the purpose of computation of CRAR, the subdebt of Rs 300 crores have been taken at 20% value.

#### b) Unsecured Advances

Sr. No.	Particulars	(₹ in Crores)	
		Current Year	Previous Year
(i)	Unsecured Advances (Inclusive of doubtful advances)	8,243.60	6,292.21

#### c) Exposures

##### c.i) Exposure to Real Estate Sector

		(₹ in Crores)	
Category		Current Year	Previous Year
<b>Direct exposure</b>			
i)	<b>Residential Mortgages</b> Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	1,541.07	1,095.32
ii)	<b>Commercial Real Estate</b> Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based limits;	9,920.62	6,016.13
iii)	<b>Investments in Mortgage Backed Securities (MBS) and other securitised exposures</b>		
	a. Residential	Nil	Nil
	b. Commercial Real Estate	Nil	Nil
<b>Total Exposure to Real Estate Sector</b>		<b>11,461.69</b>	<b>7,111.45</b>



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

### 21B. Continued

#### c.ii) Exposure to Capital Market

		(₹ in Crores)	
Particulars		Current Year	Previous Year
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	5.46	397.06
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	41.79	98.70
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	5,154.40	4,669.16
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	205.86	183.73
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	Bridge loans to companies against expected equity flows / issues;	-	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>		<b>5,407.52</b>	<b>5,348.65</b>

#### c.iii) Asset Liability Management

##### Maturity pattern of certain Items of Assets and Liabilities

Particulars	(₹ in Crores)								Total
	upto 30/31 days	Over 1 month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	
Deposits	0.26	-	-	0.13	0.55	9.60	3.10	6.04	19.68
Advances**	1,912.51	2,382.23	1,103.04	2,059.71	4,732.10	9,905.54	7,764.84	12,249.55	42,109.51
Investments	873.09	-	-	-	21.29	-	-	275.46	1,169.84
Borrowings*	456.85	4,554.36	4,910.29	1,255.30	5,890.22	11,163.71	5,530.45	2,485.04	36,246.22
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

\* Net of Unamortized Discounting charges on Commercial Paper amounting to ₹ 121.43 Crores.

- \*\*
- a) Overdue Receivable on account of Corporate Finance Activities have been slotted in respective time bucket category as per instructions contained in Appendix 1 of Guidelines for Assets Liabilities Management (ALM) system in NBFC.
  - b) Advances includes Loan and Advances in the nature of Loans and excludes Advances Recoverable in cash or kind or for value to be received and Advance Payment of Taxes and Other Deposits.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
*for the year ended 31 March, 2018*  
(Currency: ₹ in Lakhs)

**Notes forming part of Accounts 22**

**Significant Accounting Policies**

**1. Corporate information - Brief description about the Company**

Aditya Birla Finance Limited ('ABFL' or 'the Company') is a public company domiciled in India incorporated on 28 August, 1991 under the Companies Act, 1956. The Company is registered with Reserve Bank of India (RBI) as non-deposit taking Non Banking Financial Company (NBFC) with Registration no.N-01.00500 and was certified as ISO 9001:2008(upgraded to ISO 9001:2015) across all its core functional processes in March, 2013 by British Standards Institution (BSI), a leading global independent business services organization.

**2. Basis of Preparation**

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention and on an accrual basis to comply in all material respects of the Accounting Standards (AS) notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 & Amendments Rules, 2016 and the guidelines issued by RBI as applicable to NBFC's. The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous year except for the changes in accounting policies mentioned below. The Company has classified all its assets / liabilities into current / non-current portion based on the time frame of 12 months from the date of financial statements. Accordingly, assets/liabilities expected to be realised /settled within 12 months from the date of financial statements are classified as current and other assets/ liabilities are classified as non current.

**3. Change in accounting policy**

(i) During the current year, pursuant to RBI Notification no. DNBR CC. No.011/CGM (CDS) dated March 27, 2015, the Company has revised its recognition norms of Non-Performing Assets (NPA) from four months to three months. Had the Company continued to use the earlier policy of classification of NPA, provisions for the year ended 31 March, 2018 would have been lower by ₹ 111.07 lakhs and profit before tax would have been higher by ₹ 111.07 lakhs (net of tax ₹ 73.18 lakhs).

**4. Use of Estimates**

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

**5. Property, Plant and Equipments**

Property, Plant and Equipments are stated at cost, less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**Significant Accounting Policies (Continued)**

**Depreciation on Property, Plant and Equipments**

Depreciation on Property, Plant and Equipments is provided on straight line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following useful life to provide depreciation on its property, plant and equipments

Asset	Useful Life as Prescribed by Schedule II of the Companies Act, 2013	Estimated Useful Life by Company
Building	60 Years	60 Years
Office Computers and Electronic Equipments (including Plant & Machinery)	3 Years	4 Years
Vehicles	8 Years	5 Years
Furniture, Fixtures and Other Office Equipments	10 Years	7 Years
Leasehold Improvements	3 Years	3 Years

Useful life of assets different from prescribed in Schedule II has been estimated by management supported by technical assessment. Property, Plant and Equipments costing below Rs 5,000 is capitalized and 100% depreciation is charged in the year of acquisition.

Depreciation on assets acquired / sold during the year is recognised on a pro-rata basis to the Statement of Profit and Loss from/ till the date of acquisition or sale. Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

**6. Intangible Assets**

Intangible Assets are stated at acquisition cost, net of accumulated amortization and impairment losses, if any.

Amount of Depreciation on the Intangible Assets added/disposed off/discarded during the year is provided on pro-rata basis with reference to the month of addition/disposal/discarding.

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

Intangible assets, viz. Trade Names and other business rights, Goodwill and Computer Software are amortised on a straight line basis over a period of ten years , five years and three years respectively.

Intangible Assets are assessed for impairment whenever there is an indication that the Intangible Asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. Gains or losses arising from derecognition of an Intangible Asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

**7. Impairment of Property, Plant and Equipments and Intangible Assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**Significant Accounting Policies (Continued)**

**8. Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

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

**9. Stock of Securities**

Stock of Securities are valued at lower of cost and fair value on individual investment basis. Cost includes cost of purchase and other directly attributable cost towards purchase costs.

**10. Revenue Recognition**

- (i) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- (ii) Interest income is recognised in the Statement of Profit and Loss on accrual basis, except in the case of non-performing assets.
- (iii) Income recognised and remaining unrealised after instalments become overdue for three months or more in case of secured/unsecured loans are reversed and are accounted as income when these are actually realised.
- (iv) Income on discounted instruments is recognised over the tenor of the instrument on a straight line basis.
- (v) Processing Fees and Syndication income is recognised on accrual basis.
- (vi) Commission and Brokerage Fee income is recognised on completion of transaction or service.
- (vii) Dividend income on investments is accounted for when the right to receive the payment is established by the reporting date.
- (viii) Profit and Loss on sale of investment is computed based on weighted average cost.

**11. Income Taxes**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax liabilities are recognized for all taxable timing differences.

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

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**Significant Accounting Policies (Continued)**

**12. Retirement and Other Employee Benefits**

**i) Defined Contribution Plan**

The Company makes defined contribution to Government managed Employee Provident Fund, Government managed Employee Pension Fund, Employee Deposit Linked Insurance, Employee State Insurance and Superannuation Schemes which are recognised in Statement of Profit and Loss on accrual basis.

**(ii) Defined Benefit Plan**

The Company's liabilities under Payment of Gratuity Act and long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gain and losses are recognised immediately in Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

The Company presents the estimated cost of compensated absences and gratuity as a current liability in the Balance Sheet, since it does not have any unconditional right to defer its settlement for twelve months after the reporting date.

In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Ultimate Holding Company. The interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit Method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Ultimate Holding Company is additionally provided for. Actuarial losses/ Gains are recognized in Statement of Profit and Loss in the year in which they arise.

**(iii) Other Long Term Incentive Benefits**

Other Long Term Incentive Benefits includes future encashment or availment, at the option of the employee subject to the rules framed by the Company which are expected to be availed or encashed beyond 12 months from the end of the year and long term incentive payable to employees on fulfilment of criteria prescribed by the Company.

The cost of providing benefits under these plans are determined on the basis of actuarial valuation or working based on specified parameters at each year end. The Company treats accumulated costs expected to be carried forward beyond 12 months, as long term employee benefits and the balance as short term employee benefits.

**13. Borrowing Costs**

Borrowing Costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset.

All other borrowing costs are expensed in the period they occur.

**14. Cash and Cash Equivalent**

Cash and Cash Equivalents for the purpose of cash flow statement comprise Cash/Cheques in Hand and Cash at Bank including Fixed Deposit with original maturity period of less than three months.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**Significant Accounting Policies (Continued)**

**15. Earnings Per Share**

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

**16. Provision and Contingencies**

Provisions are recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Non performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.

During the current year, pursuant to RBI Notification no. DNBR CC. No.011/CGM (CDS) dated March 27, 2015, the Company has increased provisions on standard assets from 0.35% to 0.40%. Had the Company continued to use the earlier policy for provision on standard assets, provisions and write-off for the year ended 31 March, 2018 would have been lower by ₹ 2,125.19 lakhs and profit before tax would have been higher by ₹ 2,125.19 lakhs (net of tax ₹ 1,400.16 lakhs).

Management has amended the Company's provisioning policy to include an accelerated provisioning on Unsecured NPA's and General contingency provision on unsecured standard assets. These additional provisions would be over and above the provisioning on standard assets and NPA as required by RBI. Based on the amended policy, an additional provision of ₹ 1,060.37 lakhs and ₹ 209.54 lakhs has been created on unsecured NPA loans and on unsecured standard asset as at 31 March, 2018 respectively. Had the Company followed its earlier provisioning policy, the provision charge for the year ended 31 March, 2018 would have been lower by ₹ 1,269.91 lakhs and the profit before tax for the year ended 31 March, 2018 would have been higher by ₹ 1,269.91 lakhs (net of tax ₹ 836.67 lakhs).

Contingent Liabilities are possible but not probable obligations as on Balance Sheet date, based on the available evidence.

Contingent Liabilities are not provided for and disclosed by way of notes.

Provisions are determined based on best estimate required to settle the obligation at the Balance Sheet date.

**17. Leases**

Leases where significant portion of risk and reward of ownership are retained by the Lessor are classified as Operating Leases and lease rentals thereon are charged to Statement of Profit and Loss on straight line basis over the lease term.

**18. Segment Reporting**

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company.

The Company's operating business are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items include general corporate income and expense item which are not allocated to any business segment.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**Notes forming part of Accounts 23**

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 5,925.36 lakhs (31 March, 2017 ₹ 6617.01 lakhs).

**2. Contingent Liabilities not provided for**

Particulars	31 March, 2018	31 March, 2017
Disputed Income Tax Liability*	4,010.42	831.04
Disputed Service Tax Liability**	440.35	370.51
Claims against the Company not acknowledged as debts***	512.00	512.00
Corporate guarantees given by the Company on behalf of the clients	2,534.92	3,270.77
Letter of comfort given by the Company on behalf of clients	18,275.94	13,311.23

**\* Disputed Income Tax Liability**

Particulars	31 March, 2018	31 March, 2017
Disallowances of Depreciation on Intangibles, Disallowance of Expenses, Disallowance under Section 14A, Disallowance of Dividend under Section 10(33)	580.05	630.72
Disallowances of exceptional losses of Wealth Business	3,234.12	-
Interest on Non Performing Assets (NPA)	151.76	151.76
Disallowance of Leave Encashment under Section 43B	44.50	48.56

\*\* (i) Show Cause Notice F. No. ST/Audit-III/Gr.i/ABF/SCN/739/2015-16/4587 dated 15 October 2015 was issued to the Company seeking to recover, inter alia, CENVAT Credit of ₹ 120.44 lakhs under Rule 14 of the CENVAT Credit Rules, 2004 (hereinafter referred to as "CCR") along with interest of ₹ 129.63 lakhs (as applicable) and imposition of penalties of ₹ 120.44 lakhs under the extant provisions of CCR as also the Finance Act, 1994.

\*\* (ii) Show Cause cum demand Notice No. ST/Audit-III/P-3/Gr-7/Aditya Birla/SCN/2016/2126 dated 09 May, 2017 was issued to the Company demanding Service Tax of ₹ 69.84 lakhs on penal/ default interest.

\*\*\* The claims against the Company comprise of the following :

Two of the Company clients have filed the Claim Petition as per High Court Order dated 27.10.2009 for an amount of ₹ 512.00 lakhs (31 March, 2017 ₹ 512.00 lakhs) along with damages with interest. The matter is pending before Arbitrator.

3. The Company is in the process of identifying the parties which are covered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). As of 31 March, 2018, the Company is not aware of any party which gets covered under MSMED Act. The Company does not have any outstanding balance due to any such party as on 31 March, 2018 (31 March, 2017 ₹ Nil).



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
*for the year ended 31 March, 2018*  
(Currency: ₹ in Lakhs)

**4. Related Party Disclosures**

**1) List of Related Parties as per AS -18 with whom transactions have taken place during the year.**

**(A) Holding Company**

Aditya Birla Capital Limited (Holding Company)  
Grasim Industries Limited (Ultimate Holding Company)  
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)

**(B) Subsidiaries / Fellow Subsidiaries**

**Fellow Subsidiaries**

Aditya Birla MyUniverse Limited (ABMUL)  
Aditya Birla Financial Shared Services Limited (ABFSSL)  
Aditya Birla Money Limited (ABML)  
Aditya Birla Insurance Brokers Limited (ABIBL)  
Aditya Birla Money Mart Limited (ABMML)  
Aditya Birla Money Insurance Advisory Services Limited (ABMIASL)  
Aditya Birla Sun Life Insurance Company Limited (ABSLICL)  
Aditya Birla Sun Life Asset Management Company Limited (ABSAMCL)  
Aditya Birla Housing Finance Limited (ABHFL)  
Aditya Birla ARC Limited (ABARCL)  
Aditya Birla PE Advisors Private Limited (ABPEAPL)  
Aditya Birla Health Insurance Company Limited (ABHICL)  
Aditya Birla Commodities Broking Limited (ABCBL)

**(C) Key Management Personnel**

Mr. Rakesh Singh  
Mr. Sekhar Mosur



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

### 4. Related Party Disclosures (Continued)

II) Disclosure in respect of transactions of the same type with related parties during the year are as under:-

Particulars	31 March, 2018	31 March, 2017
<b>Holding Company</b>		
<b>Dividend Paid</b>		
Aditya Birla Capital Limited	0.57	1.75
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	80.00	80.00
<b>Reimbursement of Administrative expenses</b>		
Aditya Birla Capital Limited	482.41	395.88
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	0.29
<b>Interest expenses</b>		
Aditya Birla Capital Limited	2.40	2.40
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited) (Interest on Inter Corporate Deposits (ICD))	-	24.98
<b>Reimbursement of Rent expenses</b>		
Aditya Birla Capital Limited	117.02	85.34
<b>Reimbursement of Legal and Professional expenses</b>		
Aditya Birla Capital Limited	449.83	107.93
<b>Reimbursement of Employee cost</b>		
Aditya Birla Capital Limited	3,684.73	2,559.43
<b>ICD's Placed</b>		
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	83.00
<b>Repayment of ICD's</b>		
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	250.94
<b>Conversion of Preference Shares</b>		
Aditya Birla Capital Limited	-	17,500.00
<b>Issue of Equity Share Capital</b>		
Aditya Birla Capital Limited	1,826.79	5,863.30
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	921.00
<b>Share Premium on Issue of equity share capital</b>		
Aditya Birla Capital Limited	58,178.20	68,664.41
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	13,078.20
<b>Preference Share Capital Outstanding</b>		
Aditya Birla Capital Limited	1,000.00	-
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	1,000.00
<b>Equity Share Capital Outstanding</b>		
Aditya Birla Capital Limited	64,567.65	56,613.54
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	6,127.31
<b>Equity Share Premium Outstanding</b>		
Aditya Birla Capital Limited	289,649.85	218,393.44
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	13,078.20
<b>Redeemable Non Convertible Debentures (NCD)</b>		
Aditya Birla Capital Limited	2,399.13	2,399.13
<b>Payable</b>		
Aditya Birla Capital Limited(Trade Payables)	600.43	1,912.70
<b>Receivable</b>		
Aditya Birla Capital Limited	3.52	-
Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited)	-	3.52



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**4. Related Party Disclosures (Continued)**

Particulars	31 March, 2018	31 March, 2017
<b>Remuneration</b>		
Mr. Rakesh Singh	568.72	1,244.81
Mr. Sekhar Mosur	162.49	324.28
<b>Fellow Subsidiaries:</b>		
<b>Brokerage expenses</b>		
Aditya Birla Money Limited	121.90	121.80
Aditya Birla MyUniverse Limited	155.24	312.93
<b>Reimbursement of Administrative expenses</b>		
Aditya Birla Money Limited	94.06	27.58
Aditya Birla MyUniverse Limited	10.00	2.82
Aditya Birla Sun Life Insurance Company Limited	36.51	-
Aditya Birla Money Mart Limited	-	0.13
Aditya Birla Financial Shared Services Limited	747.43	480.54
Aditya Birla Housing Finance Limited	254.53	140.32
Aditya Birla Health Insurance Company Limited	14.68	16.21
<b>Interest expenses</b>		
Aditya Birla Sun Life Insurance Company Limited	1,430.49	1,049.54
<b>Custodian Charges Expenses</b>		
Aditya Birla Money Limited	43.29	38.82
<b>Reimbursement of Rent expenses</b>		
Aditya Birla Money Limited	10.39	22.44
Aditya Birla Money Insurance Advisory Limited	29.78	183.84
Aditya Birla MyUniverse Limited	-	7.89
Aditya Birla Sun Life Insurance Company Limited	281.71	241.46
Aditya Birla Financial Shared Services Limited	20.57	8.13
Aditya Birla Housing Finance Limited	230.35	147.12
<b>Reimbursement of Legal and Professional expenses</b>		
Aditya Birla Financial Shared Services Limited	157.95	124.23
<b>Reimbursement of Employee cost</b>		
Aditya Birla Money Limited	82.75	656.47
Aditya Birla MyUniverse Limited	-	11.76
Aditya Birla Insurance Brokers Limited	7.18	-
Aditya Birla Sun Life Insurance Company Limited	0.82	-
Aditya Birla Financial Shared Services Limited	564.47	424.97
Aditya Birla Housing Finance Limited	89.84	-
Aditya Birla Sunlife Asset Management Company Limited	-	18.30
<b>Insurance Premium Paid</b>		
Aditya Birla Health Insurance Company Limited	147.64	43.78
<b>Interest Income (ICD Interest)</b>		
Aditya Birla MyUniverse Limited	2.11	-
<b>Employee cost recovered</b>		
Aditya Birla MyUniverse Limited	1.20	2.04
Aditya Birla Sun Life Insurance Company Limited	50.28	4.60
Aditya Birla Sunlife Asset Management Company Limited	0.46	9.49
Aditya Birla Financial Shared Services Limited	6.76	8.76
Aditya Birla Housing Finance Limited	28.00	-
<b>Referral Fees Income</b>		
Aditya Birla Money Limited	64.75	37.46
<b>Legal and Professional expenses recovered</b>		
Aditya Birla Financial Shared Services Limited	11.55	-
Aditya Birla Housing Finance Limited	2.25	3.00
<b>Brokerage Income</b>		
Aditya Birla Money Limited	1,386.68	381.44
Aditya Birla Commodities Broking Limited	1.20	3.79
Aditya Birla Sunlife Asset Management Company Limited	445.50	799.73
Aditya Birla Housing Finance Limited	8.82	1.30

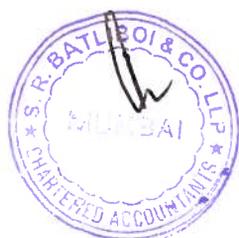


**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

**4.Related Party Disclosures (Continued)**

Particulars	31 March, 2018	31 March, 2017
<b>Advertisement Income</b>		
Aditya Birla Insurance Brokers Limited	-	0.75
<b>Rent recovered</b>		
Aditya Birla Money Limited	12.83	40.94
Aditya Birla Money Insurance Advisory Limited	3.74	25.99
Aditya Birla MyUniverse Limited	-	0.18
Aditya Birla Insurance Brokers Limited	0.60	1.17
Aditya Birla Sunlife Asset Management Company Limited.	69.52	65.19
Aditya Birla Money Mart Limited	4.46	0.99
Aditya Birla Housing Finance Limited	80.85	77.64
<b>Administrative Expenses Recovered</b>		
Aditya Birla Money Limited	0.28	-
Aditya Birla ARC Limited	47.01	-
Aditya Birla Insurance Brokers Limited	3.77	3.16
Aditya Birla Money Mart Limited	0.36	-
Aditya Birla Financial Shared Services Limited	85.92	-
Aditya Birla Housing Finance Limited	148.93	107.61
Aditya Birla PE Advisors Private Limited	2.30	0.76
<b>Gratuity/Leave Encashment expenses recovery</b>		
Aditya Birla Money Mart Limited	-	32.30
<b>Security Deposits Received Back</b>		
Aditya Birla Sunlife Asset Management Company Limited.	-	29.00
<b>Sale of assets</b>		
Aditya Birla Money Limited	-	1.30
Aditya Birla Money Insurance Advisory Limited	-	0.11
Aditya Birla MyUniverse Limited	-	5.42
Aditya Birla Sunlife Asset Management Company Limited.	-	3.55
Aditya Birla Money Mart Limited	-	0.14
<b>Purchase of assets</b>		
Aditya Birla Money Insurance Advisory Limited	-	0.63
Aditya Birla Insurance Brokers Limited	4.43	-
Aditya Birla Sun Life Insurance Company Limited	1.28	1.13
<b>Issue of NCD's</b>		
Aditya Birla Sun Life Insurance Company Limited	2,500.00	12,500.00
<b>Redemption of NCD's</b>		
Aditya Birla Sun Life Insurance Company Limited	1,500.00	-
<b>Gratuity/Leave Encashment/Incentive transferred to</b>		
Aditya Birla Money Limited	-	51.53
Aditya Birla MyUniverse Limited	-	3.78
<b>Gratuity/Leave Encashment/Incentive transferred from</b>		
Aditya Birla Money Limited	-	110.94
Aditya Birla Money Insurance Advisory Services Limited	-	54.33
Aditya Birla Sun Life Insurance Company Limited	-	0.38
Aditya Birla Money Mart Limited	-	63.40
<b>Housing Loan /Deposit Transferred to</b>		
Aditya Birla Money Limited	-	26.25
Aditya Birla MyUniverse Limited	-	24.97
<b>Employee advance transferred from</b>		
Aditya Birla Money Limited	-	5.00
<b>Prepaid Expenses</b>		
Aditya Birla Financial Shared Services Limited	50.29	-
<b>Redeemable NCDs</b>		
Aditya Birla Sun Life Insurance Company Limited	16,000.00	15,000.00
<b>Interest accrued on NCDs</b>		
Aditya Birla Sun Life Insurance Company Limited	1,073.20	999.18



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**4.Related Party Disclosures (Continued)**

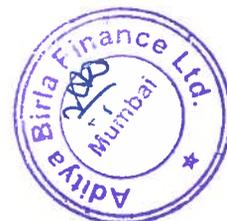
Particulars	31 March, 2018	31 March, 2017
<b>Issue of ICD's</b>		
Aditya Birla MyUniverse Limited	7,000.00	-
<b>Repayment of ICD's</b>		
Aditya Birla MyUniverse Limited	7,000.00	-
<b>Payable</b>		
Aditya Birla MyUniverse Limited	17.12	190.09
Aditya Birla Sun Life Insurance Company Limited	7.28	22.18
Aditya Birla Financial Shared Services Limited	-	46.95
Aditya Birla Money Insurance Advisory Services Limited	-	20.39
Aditya Birla Housing Finance Limited	142.20	56.01
Aditya Birla Health Insurance Company Limited	7.71	10.82
<b>Receivable</b>		
Aditya Birla Money Limited	1.27	135.71
Aditya Birla Commodities Broking Limited	0.09	3.99
Aditya Birla Money Insurance Advisory Services Limited	0.02	-
Aditya Birla MyUniverse Limited	-	7.66
Aditya Birla ARC Limited	50.76	-
Aditya Birla Insurance Brokers Limited	-	0.79
Aditya Birla Sun Life Assets Management Company Limited	21.36	11.75
Aditya Birla Money Mart Limited	2.13	96.69
Aditya Birla Financial Shared Services Limited	98.18	15.80
Aditya Birla Health Insurance Company Limited	-	258.16
Aditya Birla PE Advisors Private Limited	2.48	0.88
<b>Security Deposit Receivable</b>		
Aditya Birla Sun Life Insurance Company Limited	88.30	88.30

**Notes:**

- a)The related party relationships have been as identified by the management on the basis of the requirements of the Accounting Standard AS-18 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India (ICAI) and the same have been relied upon by the Auditors.
- b)The relationships as mentioned above except where control exists pertain to those related parties with whom transactions have taken place during the year.
- c)Expenses towards bonus, gratuity and leave encashment provisions are determined actuarially on an overall Company basis at the end of each year and accordingly, have not been considered in the above information.

**Disclosure in terms of Regulation 53 (f) read with Schedule V of the Stock Exchange Board of India(SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Particulars	Closing Balance as on 31.03.2018	Maximum Amount Outstanding during the year
Aditya Birla MyUniverse Limited (ABMUL)	-	7,000.00
Aditya Birla Idea Payment Bank Limited (ABIPBL)	-	5,000.00



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

**5. Gratuity and Other Post Employment Benefits**

The details of the Company's defined benefit plans for its employees are given below:

<b>Amount recognized in the Balance Sheet in respect of gratuity (funded by the Company)</b>		
Particulars	31 March, 2018	31 March, 2017
Present Value of Funded defined benefit obligation at the end of the year	1,386.17	1,276.48
Fair Value of Plan Assets	1,315.69	678.45
Net Liability/(Assets)	70.48	598.03
<b>Amount recognized in Salary, Wages and Employee Benefits in the Statement of Profit and Loss in respect of gratuity (funded by the Company):</b>		
Current Service Cost	323.50	165.73
Interest on Defined Benefit Obligation	115.20	60.24
Expected Return on Plan Assets	(52.01)	(35.45)
Net Actuarial (Gains)/Loss recognized during the year	(299.35)	179.62
Net Gratuity Cost	87.33	370.14
Actual Return on Plan assets	71.93	79.65
<b>Change in present value of the defined obligation are as follows:</b>		
Opening Defined Benefit Obligation	1,276.48	613.57
Current Service Cost	323.50	165.73
Interest Cost	115.20	60.24
Actuarial (Gains)/Losses	(279.43)	223.82
Liabilities assumed on acquisition (settled on divesture)	-	227.89
Benefit Paid	(49.58)	(14.77)
Closing Defined Benefit Obligation	1,386.17	1,276.48
<b>Change in fair value of Plan Assets are as follows:</b>		
Opening Fair Value of the Plan Assets	678.45	411.49
Expected Return on Plan Assets	52.01	35.45
Actuarial Losses/(Gains)	19.92	44.20
Contributions by the Employer	598.03	202.08
Assets acquired on acquisition/ (distributed on divesture)	16.85	-
Benefit Paid	(49.58)	(14.77)
Closing Fair Value of the Plan Assets	1,315.69	678.45
<b>Category of Plan Assets as a percentage of fair value of total Plan Assets is as under:</b>		
100% of plan assets are invested with Insurer Managed Funds.	1,315.69	678.45

	As at 31 March, 2018	As at 31 March, 2017	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2014
<b>Experience Adjustment</b>					
Defined Benefit Obligation	1,386.17	1,276.48	613.57	426.54	295.00
Plan Assets	1,315.69	678.45	411.49	332.88	254.23
Surplus/(Deficit)	(70.48)	(598.03)	(202.08)	(93.66)	(40.77)
Experience Adjustment on Plan Liabilities	8.58	129.23	29.07	(26.49)	(0.68)
Experience Adjustment on Plan Assets	19.92	44.20	(21.41)	28.50	1.48
Discount Rate (p.a.)	7.65%	7.25%	7.80%	8.00%	8.90%
Expected Rate of return on Assets (p.a.)	7.65%	7.25%	7.80%	8.50%	8.50%



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

### 5. Gratuity and Other Post Employment Benefits (Continued)

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields as at Balance Sheet date.

Investment in Plan Asset with Aditya Birla Sun Life Insurance Company Limited is ₹ 1,315.69 lakhs (31 March, 2017 ₹ 678.45 lakhs).

Estimated amount of contribution expected to be paid to the Gratuity Fund during the annual period after the Balance Sheet date is ₹ 100.00 lakhs (31 March, 2017 ₹ 100.00 lakhs).

During the year the following cost has been incurred on account of :

#### Defined Benefit Plan

Particulars	31 March, 2018	31 March, 2017
Contribution to Company owned Provident Fund	80.73	75.26

The Guidance Note on implementation of AS 15 Employee Benefits (Revised 2005), issued by the ICAI states that Provident Fund set up by the employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefits plan. The Company contributes 12% of salary for all eligible employees towards provident fund managed either by approved trusts or by the Central Government.

#### Defined Contribution Plans

Amount recognised as an expense and included in "Note 17 - Contribution to Provident and Other Funds"

Sr. No.	Particulars	31 March, 2018	31 March, 2017
i)	Contribution to Government Employees Provident Fund*	540.04	444.49
ii)	Contribution to Government Employees Pension Fund	155.13	109.49
iii)	Contribution to Superannuation Fund	5.85	4.02
iv)	Contribution to Employees State Insurance Corporation	2.19	0.94
v)	Contribution to Maharashtra Labour Welfare Fund	0.05	0.10
vi)	Contribution to National Pension Scheme	-	1.60

\*The above is inclusive of group company costs allocated to the company by its holding company.

#### Other Long Term Incentive Benefits

Liability for the scheme is determined based on management estimates.

### 6. Details of Auditors Remuneration

Particulars	31 March, 2018	31 March, 2017
<b>As Auditors</b>		
For Statutory Audit (including Limited Review and Internal Control Financial Reporting (ICFR))	63.50	53.00
For Tax Audit	6.00	6.00
<b>In Other Capacity</b>		
For Other Services (including Certificates and IND - AS)	30.50	28.23
For Reimbursement of Expenses	8.10	4.04



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

7. Aditya Birla Management Corporation Private Limited (ABMCPL), a Company limited by guarantee, has been formed to provide a common pool of facilities and resources to its members, with a view to optimize the benefits of specialization and minimize cost to each member. The Company's share of expenses under the common pool has been accounted for under the appropriate heads of account.

**8. Segment Reporting**

The Company is primarily engaged in financing activities. It operates in 3 segments namely financing activities, trading & other activities and wealth business and single geographical segment. The Company earned some treasury income, these income have been classified as "Trading Activities" as per requirements of AS- 17 on Segment Reporting.

Particulars	31 March, 2018				31 March, 2017			
	Financing and Related Activities	Trading activities	Wealth Business	Total	Financing and Related Activities	Trading activities	Wealth Business	Total
Segment Revenue	433,475.59	5,429.70	9,207.64	448,112.93	329,979.17	6,796.76	5,889.81	342,665.74
Segment Results (Profit before tax and after interest on financing segment)	106,005.88	5,401.19	2,076.80	113,483.87	81,597.66	6,770.97	(1,095.25)	87,273.38
Less: Interest on trading activities	-	2,556.95	-	2,556.95	-	4,080.12	-	4,080.12
Net profit before tax	106,005.88	2,844.23	2,076.80	110,926.91	81,597.66	2,690.85	(1,095.25)	83,193.26
Less: Income taxes	-	-	-	37,843.77	-	-	-	24,667.86
Net profit after tax	-	-	-	73,083.14	-	-	-	58,525.40
<b>Other Information</b>								
Segment Assets	4,403,872.57	-	2,383.97	4,406,256.54	3,471,746.99	58,278.52	3354.40	3,533,379.91
Unallocated Corporate Assets	-	-	-	13,239.21	-	-	-	8,570.36
<b>Total Assets</b>	<b>4,403,872.57</b>	<b>-</b>	<b>2,383.97</b>	<b>4,419,495.75</b>	<b>3,471,746.99</b>	<b>58,278.52</b>	<b>3,354.40</b>	<b>3,541,950.27</b>
Segment Liabilities	3,787,054.89	-	317.00	3,787,371.89	2,989,712.81	49,682.87	3,421.89	3,042,817.57
<b>Total Liabilities</b>	<b>3,787,054.89</b>	<b>-</b>	<b>317.00</b>	<b>3,787,371.89</b>	<b>2,989,712.81</b>	<b>49,682.87</b>	<b>3,421.89</b>	<b>3,042,817.57</b>
Capital expenditure	3,766.67	-	87.81	3,854.48	2,161.82	-	2805.84	4,967.66
Depreciation	1,862.05	-	127.98	1,990.03	1356.39	-	112.49	1,468.88
Other non-cash expenses	14,278.97	-	-	14,278.97	9,578.44	-	-	9,578.44

**9. Expenditure in Foreign Currency:**

Particulars	31 March, 2018	31 March, 2017
Business / Sales Promotion / Staff Training and Seminar	82.16	55.24

**10. CSR Expenses**

Particulars	31 March, 2018	31 March, 2017
Gross Amount Required to be spent during the year	1,243.42	859.25
Amount Spent during the year		
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	534.19	859.38



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

### 11. Merger

Pursuant to the approval of the Honourable High Court of Gujarat vide its order O/42988/2016 dated November 24, 2016 to the Scheme of Arrangement under the provisions of Sections 391 to 394 read with Sections 100 to 103 and other relevant provisions of the Companies Act, 1956 (including corresponding provisions of the Companies Act, 2013 as may be applicable) in the manner provided for in the Scheme and in compliance with the provisions of the Income Tax Act, 1961, including Section 2(19AA) thereof, the wealth management undertaking of Aditya Birla Money Mart Limited ('ABMML'), was vested in Aditya Birla Finance Limited ('the Company') with effect from the appointed date viz., April 1, 2016 in accordance with the Scheme so sanctioned. The Scheme was made effective by the Company upon filing with the Registrar of Companies ("ROC") on December 31, 2016 and made effective and accordingly effect of the same was given in the financial statements from the appointed date. Both ABMML and the Company were wholly owned subsidiaries of Erstwhile Aditya Birla Nuvo Limited (merged on 1 July, 2017 with Grasim Industries Limited). In accordance with the said scheme all the assets and liabilities of the wealth management undertaking of ABMML vested in the Company pursuant to the Scheme and in accordance with Accounting Standard - 10 "Fixed Assets" notified under Companies (Accounting Standards) amendment Rules 2016, are recorded at their respective book values appearing in the books of ABMML as at April 01, 2016.

In terms of the Scheme, the consideration paid to the shareholders of ABMML was:

- (a) 3 (Three) equity shares of the face value of ₹ 10/- (Rupees Ten only) each fully paid up of the Company for every 8 (Eight) equity shares of the face value of ₹ 10/- (Rupees Ten only) each fully paid up of ABMML to the equity shareholders of ABMML; and  
 (b) 1 (One) equity share of the face value of ₹ 10/- (Rupees Ten only) each fully paid up of the Company for every 36 (Thirty Six) preference shares of the face value of ₹ 10/- (Rupees Ten only) each fully paid up of ABMML to the preference shareholders of ABMML.

Accordingly the Company had issued and allotted 10,277,778 equity shares of ₹ 10 each, fully paid up of the Company to the shareholders of ABMML. Based on the terms of the Scheme, the Company had acquired net liabilities of ₹ 1,517.74 lakhs of the wealth management undertaking from ABMML and the consideration of ₹ 1027.78 lakhs was settled by way of issue of fully paid up equity shares of the Company to the shareholders of ABMML. As a result of this, goodwill of ₹ 2,545.52 lakhs was recognised in the financial statements and the said goodwill will be amortised over a period of 5 years from the appointed date. The brought forward losses pertaining to the wealth management undertaking was set off against the taxable income of the Company

### 12. Details of Opening Stock, Purchases, Sales and Closing Stock in respect of trading in Securities are as follows:

Particulars/Year	Opening Stock	Purchases	Sales	Closing Stock
Units of Mutual Funds 2017-2018 (Nos.)	Nil	280,316,007.57	280,316,007.57	Nil
Units of Mutual Funds 2016-2017 (Nos.)	Nil	116,452,707.94	116,452,707.94	Nil
Stock of Securities 2017-2018 (₹ in lakhs)	58,278.52	817,640.03	875,918.55	Nil
Stock of Securities 2016-2017 (₹ in lakhs)	33,020.01	1,119,946.25	1,094,687.74	58,278.52

13. Pursuant to Employee Stock Option Plan (ESOP) being established by the holding company (i.e. Aditya Birla Capital Limited), stock options were granted to the employees of the Company during the financial year. Total cost incurred by the holding company till date is being recovered from the Company over the period of vesting. Accordingly, a sum of ₹ 704.73 lakhs has been recovered from the Company during the year, which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 1,433.92 lakhs will be recovered in future periods.

### 14. LEASES

(a) Operating Lease Payments recognised in the Statement of Profit and Loss Account ₹ 2,722.52 lakhs (31 March, 2017 ₹ 1,860.28 lakhs).

The Company has taken certain office premises on cancellable and non cancellable operating lease. There are no restrictions placed upon the Company by entering into these leases.

(b) The future minimum lease rental payments in respect of non cancellable operating lease are as follows :

Particulars	31 March, 2018	31 March, 2017
Not later than one year	316.07	301.01
Later than one year and not later than five years	648.39	903.03
Later than five years	-	-



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**

for the year ended 31 March, 2018

(Currency: ₹ in Lakhs)

15. Information in respect of restructured assets in accordance with review of guidelines on restructuring of advances by NBFC (RBI/2013-14/459) DNBS. CO. PD. No. 367/03.10.01/2013-14 The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring:-

Sr. no.	Type of Restructuring	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Total				
		Standard	Sub-Standard	Doubtful	Loss	Standard	Sub-Standard		Doubtful	Loss		
1	Asset Classification Details Restructured Accounts at April 1, 2017											
	No. of borrowers	2										
	Amount outstanding	5,488.84										
	Provision thereon	5,489.09										
2	Fresh restructuring during the year ended March 31, 2018											
	No. of borrowers	-										
	Amount outstanding	-										
	Provision thereon	-										
3	Upgradations to restructured standard category during the year ended March 31, 2018											
	No. of borrowers	-										
	Amount outstanding	-										
	Provision thereon	-										
4	Restructured standard advances at April 1, 2017, which cease to attract higher provisioning and/or additional risk weight at March 31, 2018 and hence need not be shown as restructured standard advances at April 1, 2018											
	No. of borrowers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Amount outstanding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Provision thereon	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Downgradations of restructured accounts during the year ended March 31, 2018											
	No. of borrowers	-										
	Amount outstanding	-										
	Provision thereon	-										
6	Write-offs of restructured accounts during the year ended March 31, 2018											
	No. of borrowers	-	1									
	Amount outstanding	-	4,531.57									
7	Restructured Accounts at March 31, 2018											
	No. of borrowers	-	1									
	Amount outstanding	-	957.27									
	Provision thereon	-	957.27									



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
*for the year ended 31 March, 2018*  
(Currency: ₹ in Lakhs)

**Information in respect of restructured assets (Continued)**  
The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring

Sr. no.	Type of Restructuring			Others			Total				
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts at April 1, 2017										
	No. of borrowers	2	-	1	-	3					5
	Amount outstanding	15,253.34	-	989.40	-	16,242.74					21,731.58
2	Fresh restructuring during the year ended March 31, 2018										
	Amount outstanding	1,223.00	-	989.65	-	2,212.65					7,701.74
	Provision thereon	-	-	-	-	-					-
3	Upgradations to restructured standard category during the year ended March 31, 2018										
	No. of borrowers	(2)	-	-	-	(2)					(2)
	Amount outstanding	(15,253.34)	-	-	-	(15,253.34)					(15,253.34)
4	Restructured standard advances at April 1, 2017, which cease to attract higher provisioning and/or additional risk weight at March 31, 2018 and hence need not be shown as restructured standard advances at April 1, 2018										
	Amount outstanding	(1,223.00)	-	-	-	(1,223.00)					(1,223.00)
	Provision thereon	-	-	-	-	-					-
5	Downgradations of restructured accounts during the year ended March 31, 2018										
	No. of borrowers	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Amount outstanding	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
6	Write-offs of restructured accounts during the year ended March 31, 2018										
	Amount outstanding	-	-	-	-	-					-
	Provision thereon	-	-	-	-	-					-
7	Restructured Accounts at March 31, 2018										
	Amount outstanding	-	-	-	-	-		4,531.57	-	-	4,531.57
	Provision thereon	-	-	1	-	1					1
Total											
	Amount outstanding	-	-	989.40	-	989.40		957.27	989.40	-	1,946.66
	Provision thereon	-	-	989.65	-	989.65		957.27	989.65	-	1,946.92



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
*for the year ended 31 March, 2018*  
*(Currency: ₹ in Lakhs)*

15. Information in respect of restructured assets in accordance with review of guidelines on restructuring of advances by NBFC (RBI/2013-14/45) DNBS. CO. PD. No. 367/03.10.01/2013-14 The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring:-

Sr. no.	Type of Restructuring Asset Classification Details	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Total				
		Standard	Sub-Standard	Doubtful	Loss	Standard	Sub-Standard		Doubtful	Loss		
1	Restructured Accounts at April 1, 2016											
	No. of borrowers	1	1	1								
	Amount outstanding	2,733.71	2,922.07	200.00								
	Provision thereon	750.00	2,488.50	200.00								
2	Fresh restructuring during the year ended March 31, 2017											
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year ended March 31, 2017											
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances at April 1, 2016, which cease to attract higher provisioning and/or additional risk weight at March 31, 2017 and hence need not be shown as restructured standard advances at April 1, 2017											
	No. of borrowers	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Amount outstanding	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Provision thereon	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
5	Downgradations of restructured accounts during the year ended March 31, 2017											
	No. of borrowers	(1)	1	-	-	-	-	-	-	-	-	-
	Amount outstanding	(2,733.71)	2,733.71	-	-	-	-	-	-	-	-	-
	Provision thereon	(750.00)	750.00	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year ended March 31, 2017											
	No. of borrowers	-	-	-	1	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	200.00	-	-	-	-	-	-	-
7	Restructured Accounts at March 31, 2017											
	No. of borrowers	-	2	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	5,488.84	-	-	-	-	-	-	-	-	-
	Provision thereon	-	5,489.09	-	-	-	-	-	-	-	-	-



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
*for the year ended 31 March, 2018*  
*(Currency: ₹ in Lakhs)*

**Information in respect of restructured assets (Continued)**  
The following tables set forth, for the periods indicated, details of loan assets subjected to restructuring

Sr. no.	Type of Restructuring	Others					Total				
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts at April 1, 2016										
	No. of borrowers	-	-	1	-	1	1	-	-	-	1
	Amount outstanding	-	-	4,083.08	-	4,083.08	2,733.71	2,922.07	4,083.08	200.00	9,938.85
2	Fresh restructuring during the year ended March 31, 2017										
	Provision thereon	-	-	4,083.33	-	4,083.33	750.00	2,488.50	4,083.33	200.00	7,521.84
	No. of borrowers	2.00	-	-	-	2	2	-	-	-	2
3	Upgradations to restructured standard category during the year ended March 31, 2017										
	Amount outstanding	15,253.34	-	-	-	15,253.34	15,253.34	-	-	-	15,253.34
	Provision thereon	1,223.00	-	-	-	1,223.00	1,223.00	-	-	-	1,223.00
4	Restructured standard advances at April 1, 2016, which cease to attract higher provisioning and/or additional risk weight at March 31, 2017 and hence need not be shown as restructured standard advances at April 1, 2017										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year ended March 31, 2017										
	No. of borrowers	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	Amount outstanding	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
6	Write-offs of restructured accounts during the year ended March 31, 2017										
	No. of borrowers	-	-	-	-	-	(1)	-	-	-	-
	Amount outstanding	-	-	-	-	-	(2,733.71)	2,733.71	-	-	-
7	Restructured Accounts at March 31, 2017										
	No. of borrowers	2	-	1	-	3	2	2	1	-	5
	Amount outstanding	15,253.34	-	989.40	-	16,242.74	15,253.34	5,488.84	989.40	-	21,731.58
	Provision thereon	1,223.00	-	989.65	-	2,212.65	1,223.00	5,489.09	989.65	-	7,701.74

Note: The outstanding amount and number of borrowers as at 31 March, 2018 and 31 March, 2017 is after considering recoveries during the year.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31 March, 2018

### 16 Disclosure pursuant to RBI Notification No. DNBR. 019/CGM (CDS) - 2015 dated April 10, 2015

#### 16.1 Registration/ license/ authorization obtained from financial sector regulators:

The Company has received certificate of registration as a non deposit taking NBFC from RBI dated August 9, 2011 having COR number N-01.00500 in lieu of earlier COR number B-13.01163 dated February 12, 1999.

#### 16.2 Penalties levied if any during the year:

Nil

#### 16.3 Investments

		(₹ in Crores)	
Particulars		31 March, 2018	31 March, 2017
(1)	<b>Value of Investments</b>		
	(i) Gross Value of Investments		
	(a) In India	1180.62	869.86
	(b) Outside India,	-	-
	(ii) Provisions for Depreciation		
	(a) In India	10.83	9.79
	(b) Outside India,	-	-
	(iii) Net Value of Investments		
	(a) In India	1169.79	860.07
	(b) Outside India,	-	-
(2)	<b>Movement of provisions held towards depreciation on investments.</b>		
	(i) Opening balance	9.79	7.71
	(ii) Add : Provisions made during the year	1.25	2.08
	(iii) Less : Write-off / write-back of excess provisions during the year	0.21	-
	(iv) Closing balance	10.83	9.79



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31 March, 2018

### 16.4 Provisions and Contingencies

(₹ in Crores)		
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of P&L	31 March, 2018	31 March, 2017
Provision for depreciation on Investment	(0.17)	2.08
Provision towards Non Performing Assets	73.18	35.94
Provision made towards Income tax (Net of Deferred Tax)	378.44	246.68
Other Provision and Contingencies (with details)		
- Investments Written off	-	-
- Bad debts/Advances Written off	47.84	49.46
- Provision for Doubtful Debts and advances written back	(46.69)	(50.89)
- Provision for diminution in Current Investment written back	(0.22)	(0.04)
- Change in Carrying Value of Current Investment	1.21	0.22
- General Contingency Provision	2.10	-
Provision for Standard Assets	52.76	41.91
Provision for Soft Accounts	14.50	20.23

### 16.5 Concentration of Advances

(₹ in Crores)		
Particulars	31 March, 2018	31 March, 2017
Total Advances to twenty largest borrowers	5,687.81	5,285.07
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	13.51%	15.89%

### 16.6 Concentration of Exposures

(₹ in Crores)		
Particulars	31 March, 2018	31 March, 2017
Total Exposure to twenty largest borrowers / customers*	5,687.81	5,285.07
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	13.51%	15.89%

\* The above calculation is as per loans outstanding as at year end.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued) for the year ended 31 March, 2018

### 16.7 Concentration of NPAs

Particulars	₹ in Crores	
	31 March, 2018	31 March, 2017
Total Exposure to top four NPA accounts	195.93	82.22

### 16.8 Sector-wise NPAs

Sr No.	Sector	31 March, 2018	31 March, 2017
		Percentage of NPAs to Total Advances in that sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	30.81%	99.61%
2	MSME	0.00%	0.00%
3	Corporate borrowers	0.87%	0.41%
4	Services	0.78%	0.01%
5	Unsecured working capital loans	0.00%	0.00%
6	Auto loans	0.00%	0.00%
7	Other personal loans	1.58%	1.10%

### 16.9 Movement of NPAs

Particulars	₹ in Crores	
	31 March, 2018	31 March, 2017
(i) Net NPAs to Net Advances (%)	0.65	0.21
(ii) Movement of NPAs (Gross)		
(a) Opening balance	157.18	157.17
(b) Additions during the year*	298.37	57.91
(c) Reductions during the year	(69.82)	(57.90)
(d) Closing balance	385.73	157.18
(iii) Movement of Net NPAs		
(a) Opening balance	70.69	55.73
(b) Additions during the year	225.18	28.18
(c) Reductions during the year	(23.12)	(13.22)
(d) Closing balance	272.75	70.69
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	86.49	101.44
(b) Provisions made during the year	73.18	29.72
(c) Write-off / write-back of excess provisions	(46.69)	(44.67)
(d) Closing balance**	112.98	86.49

\*As on 31st March, 2018, Gross Non Performing Assets (GNPA) equivalent to 0.20% of the loan book is on account of exposure getting categorized as Non-Performing Asset (NPA's) due to withdrawal of the erstwhile framework of Revitalising Stressed Assets vide Reserve Bank of India Circular dated February 12, 2018.

\*\* Provision for Doubtful Debts in Notes 6a includes provision for other advances also.



# Aditya Birla Finance Limited

## Notes to the Financial Statements (Continued)

for the year ended 31 March, 2018

### 16.10 Credit Rating

Instrument	Credit Rating Agency	31 March, 2018	31 March, 2017
Commercial Paper	ICRA Limited India Ratings & Research Private Limited	[ICRA] A1+ IND A1+	[ICRA] A1+ -
Non Convertible Debentures (NCD)	CARE Limited ICRA Limited India Ratings & Research Private Limited	- [ICRA] AA+ Stable IND AAA Stable	CARE AA+ [ICRA] AA+ Stable IND AA+ Stable
Sub Debt	CARE Limited ICRA Limited India Ratings & Research Private Limited	CARE AA+ Positive [ICRA] AA+ Stable IND AAA Stable	CARE AA+ [ICRA] AA+ Stable IND AA+ Stable
Unsecured NCD	ICRA Limited	[ICRA] AA+ Stable	[ICRA] AA+ Stable
Perpetual Debt	ICRA Limited India Ratings & Research Private Limited	[ICRA] AA+ (hyb) Stable IND AA+ Stable	- -
Long Term Bank Loans	ICRA Limited	[ICRA] AA+ Stable	[ICRA] AA+ Stable
Short Term Bank Loans	ICRA Limited	[ICRA] A1+	[ICRA] A1+

### 16.11 Customer Complaints

Sr. No.	Particulars	31 March, 2018	31 March, 2017
(a)	No. of complaints pending at the beginning of the year	-	3
(b)	No. of complaints received during the year	340	45
(c)	No. of complaints redressed during the year	332	48
(d)	No. of complaints pending at the end of the year	8	-

16.12 The disclosures given above under note 23(16) pursuant to RBI Notification are only to the extent they are applicable to the Company.



**Aditya Birla Finance Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended 31 March, 2018  
(Currency: ₹ in Lakhs)

17. Previous year/period's figures have been regrouped/ rearranged, wherever considered necessary, to conform with Current year/ period's presentation.

For S.R. Batliboi & Co. LLP  
Chartered Accountants  
ICAI Firm Registration No: 301003E/E300005



per Jayesh Gandhi  
Partner  
Membership No: 037924



Place: Mumbai  
Date: 05 May, 2018

For and on behalf of the Board of Directors of  
Aditya Birla Finance Limited



Ajay Srinivasan  
(Director)  
(DIN - 00121181)



Sanjay Miranka  
(Chief Financial Officer)

Place: Mumbai  
Date: 05 May, 2018



B. N. Puranmalka  
(Director)  
(DIN - 00007432)



Sekhar Mosur  
(Manager)



Rakesh Singh  
(Chief Executive Officer)



Ankur Shah  
(Company Secretary)

