

ADITYA BIRLA



FINANCE

ADITYA BIRLA FINANCE LIMITED

ANNUAL REPORT
2016-17

ADITYA BIRLA FINANCE LIMITED
REGISTERED OFFICE : Indian Rayon Compound,
Veraval, Dist. Gir Somnath, Gujarat – 362 266
CIN: U65990GJ1991PLC064603



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 (appointed w.e.f. July 28, 2016)

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

DEBENTURE TRUSTEES

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

ADITYA BIRLA FINANCE LIMITED

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

Directors' Report

Dear Shareholders,

We are pleased to present the 26th Annual Report, along with the audited annual accounts of your Company for the financial year ended March 31, 2017 ("FY 17").

1. 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 st March		% Change over previous year
	2017	2016	
Total Income	3,426.00	2,486.60	38%
Total Expenses	2,580.00	1,852.65	39%
Profit before depreciation / amortisation and tax	846.00	633.96	33%
Less: Depreciation / amortization	14.69	7.60	93%
Profit Before Tax	831.31	626.36	33%
Less: Tax expenses	246.46	217.75	13%
Profit After Tax	584.86	408.60	43%
Balance of profit/ loss brought from the previous year	666.12	540.88	23%
Profit Before Appropriations	1,250.97	949.49	32%
Transfer to Special Reserve	117.00	81.80	43%
Proposed Dividend on Cumulative Preference Shares	0.81	0.82	-1%
Corporate Dividend Tax	0.16	0.17	-3%
Loss on account of merger of MGLRCL*	-	200.63 [#]	-
Dividend on Preference Shares on account of merger of MGLRCL	-	0.04	-
Balance of Profit carried to Balance Sheet	1,133.00	666.12	70%

* MGLRCL – Madura Garments Lifestyle Retail Company Limited

[#] As a result of Merger of MGLRCL with the Company, Preference Shares of Rs 425 Crores held by MGLRCL in the Company have been cancelled. Securities Premium of Rs 426.42 Crores and deficit in Profit and Loss Account of Rs 200.62 Crores of MGLRCL have been considered as securities premium and deficit of the Company. The Company has issued Rs 53.46 Crores equity shares and Rs 10 Crores preference shares to shareholders of MGLRCL. The difference between the net book value after adjusting reserves of MGLRCL and the equity and preference shares issued to shareholders of MGLRCL amounting to Rs 136.61 Crores have been transferred to General Reserve. The net impact of merger is increase in short term loans and advances by Rs 0.86 Crores.

2. Business Performance

a) Key Highlights

During the year under review, there was a growth in total income to Rs 3,426.00 Crore as against Rs 2,486.60 Crore in the previous year, a 38% increase. Correspondingly, the total expenses (including depreciation, provisions and write off) increased to Rs 2,594.69 Crore from Rs 1,860.25 Crore in the previous year, a 39% increase primarily on account of increase in the depreciation, finance cost as a result of increase in portfolio, employee benefit expenses on account of induction of new personnel, etc. The profit before tax increased by 33% to Rs 831.31 crore from Rs 626.36 crore and as a result of better tax management the profit after tax increased by 43% to Rs 584.86 crore from Rs 408.60 crore.

b) Business

Your Company operates through the following business divisions' viz. Corporate Finance Group (CFG), Mortgages, Project & Structured Finance Group (PSFG), Capital Market Group (CMG), unsecured lending (business loans / personal loans), digital lending and in the wealth management business post the merger of the wealth division of Aditya Birla Money Mart Limited (ABMML) with the Company. The portfolio is well diversified across various sectors and products.

Your Company registered excellent growth across its business segments. CFG managed to cross the Rs 10,000 Crore milestone this year registering a year on year growth of 48%. Its portfolio grew from Rs 6,917 Crore at the beginning of the year to Rs 10,219 Crore as on March 31, 2017. The Mortgages business has shown a growth of 17% during the year with its portfolio growing from Rs 6,593 Crore as on March 31, 2016 to Rs 7,700 Crore as on March 31, 2017. The PSFG portfolio also crossed the Rs 10,000 Crore milestone this year with a growth of 50% from Rs 7,336 Crore as on March 31, 2016 to Rs 10,968 Crore on March 31, 2017. The DCM & Syndication team mobilized funds of close to Rs 3,400 Crore (previous year Rs 1,700 Crore) with fee earnings of approximately Rs 17 Crore as of March 2017 as against Rs 11 Crore as on March 31, 2016. CMG registered a growth of 10 % on a year-on-year basis with the portfolio growing from Rs 4,407 Crore as on March 31, 2016 to Rs 4,847 Crore as on March 31, 2017. The newly launched Unsecured Lending business which had achieved a book size of Rs 22 crore since three months of its launch in FY 16, closed FY 17 with a book size of Rs 370 crore.

Your Company launched its Digital Lending business in January 2017 to offer unsecured term loans to SMEs (sole proprietors, partnership firms and companies) and self-employed individuals for business use. The aim is to build a granular, retail business with a focus on business loans to SMEs. Unsecured term loans offered are of a relatively smaller ticket size (<INR 10 lakhs on an average) and complement the existing secured as well as unsecured SME and corporate lending proposition of the Company. The digital business has been built on end-to-end cloud based technology. The consumer journey is entirely online with digital decision making backed by rigorous and 360° credit assessment, providing applicants with real time loan offers and sanctions. With the performance of unsecured lending in India steadily improving over the past 5 years and also with data now available with credit bureaus, and via certified digital vendors, risk to lending can be controlled more effectively.

During the year under review the Wealth management business of ABMML got merged with our Company (further details are provided in pt. no. 5 below). The appointed date for the merger was April 1, 2016. The wealth management business had Assets under

management (AuM) of Rs 13,518 Crore as on March 31, 2017, a growth of 58% over Rs 8,577 Crore AuM as on March 31, 2016.

c) Portfolio quality

The credit environment continued to be challenging during the year with the added challenges from demonetization. Prudent client selection, robust risk management framework and a focus on secured and diversified business has helped your Company maintain a high portfolio quality. The Gross NPA was improved at 0.48% amounting to Rs 157.18 crore (previous year 0.63% amounting to Rs 157.17 crore) and the Net NPA was 0.22% amounting to Rs 70.69 crore (previous year 0.22% amounting to Rs 55.73 crore) which is amongst the lowest in the industry.

d) Treasury

Your Company primarily sources funds through Term loans, Non-Convertible Debentures (NCDs), Sub-ordinated Debt and Commercial Paper (CP). The outstanding debt as on March 31, 2017 was Rs 28,951 Crore as compared to Rs 21,457 Crore as on March 31, 2016, an increase of 35%.

During the year under review, your Company focused on enhancing its borrowing through private placement of NCDs and issued NCDs aggregating to Rs 4,576.90 Crore, which were listed on National Stock Exchange. Issuance of Tier II NCDs, aggregating to Rs 637.50 crore, has strengthened the Capital Adequacy.

ALM was within the norms stipulated by the Reserve Bank of India (RBI).

Your Company continues to be rated AA+ from three agencies viz. ICRA, CARE and India Ratings for its long-term debt and sub-debt. The short-term rating limit continues to be A1+. The credit rating enjoyed by your Company as on March 31, 2017 is as follows:

Credit Rating Agency	Instruments	Ratings
ICRA	Commercial Paper	A1+
ICRA	Non-Convertible Debentures	AA+
ICRA	Sub-Debt	AA+
CARE	Sub-Debt	AA+
CARE	Non-Convertible Debentures	AA+
India Ratings	Non-Convertible Debentures	AA+
India Ratings	Sub-Debt	AA+

Your Company has not issued any debentures under rating provided by CARE and any sub-debt under rating provided by India Ratings.

3. 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 117 Crore to the Special Reserve Fund.

4. Dividend

The Board recommends dividend at 8% coupon rate to the holders of Cumulative Preference Shares and dividend at 0.01% coupon rate to the holders of Cumulative Preference Shares Compulsory Convertible upto the date of their conversion into equity

shares of the Company, as final dividend. With a view to conserve its resources, the Board did not recommend any dividend on the Equity shares (NIL in previous year).

The total cash outflow on account of dividend amounts to Rs 96.97 Lakh (inclusive of Rs 16.40 Lakh as Dividend Distribution Tax) as against Rs 98.57 Lakh (inclusive of Rs 16.82 Lakh as Dividend Distribution Tax) during the previous year.

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

5. Share Capital

During the year under review, your Company had a capital infusion of Rs 699.99 Crore through issue of 4.60 Crore equity shares of Rs.10/- each at a premium of Rs.142/- per share on rights basis to the existing shareholders of your Company 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	29.07.2016	92,10,000	10	142	139.99
2	08.03.2017	46,00,000	10	142	69.92
3	24.03.2017	1,31,50,000	10	142	199.88
4	27.03.2017	1,34,86,800	10	142	205.00
5	30.03.2017	56,05,260	10	142	85.20
	Total	4,60,52,060			699.99

The said equity shares were issued mainly to strengthen the capital structure of the Company and improve its capital adequacy ratio.

During the year under review, 17.50 crore - 0.01% Compulsorily Convertible Cumulative Preference shares (CCCPS) of the face value of Rs 10/- each issued to Aditya Birla Financial Services Limited, Holding Company were converted into 1,15,13,158 fully paid up equity shares of the Company of the face value of Rs 10/- each at Rs 152/- each (including premium) per share being the fair value in accordance with the valuation report dated July 25, 2016 from M/s. Bansi S Mehta & Co., Chartered Accountants.

Your Company had filed a petition to the Hon'ble High Court of Judicature at Ahmedabad on October 1, 2016 to obtain sanction to the Scheme of Arrangement, inter alia, proposing demerger of the Wealth Management Undertaking of Aditya Birla Money Mart Limited (hereinafter referred to as "ABMML") and merger of the same with the Company. The appointed date of the said Arrangement is April 1, 2016 and has become effective from December 31, 2016. The Hon'ble High Court of Judicature at Ahmedabad on November 24, 2016 approved the said Scheme of Arrangement of merger of Wealth Management Undertaking of ABMML with your Company. Both the companies are ultimately wholly owned subsidiaries of Aditya Birla Nuvo Limited.

As a result of the said Arrangement, your Company had to issue and allot equity shares in the ratio of 3 (Three) equity shares in the Company of face value Rs 10 (Rupees Ten Only) each credited as fully paid-up to each shareholder of ABMML for every 8 (Eight) equity shares of face value Rs.10 (Rupees Ten Only) each fully paid up held by such shareholder in ABMML and 1 (One) equity share in the Company of face value Rs 10 (Rupees Ten Only) each credited as fully paid-up to each preference shareholder of ABMML for every 36 (Thirty Six) 0.01% redeemable Non-convertible cumulative preference shares of face value Rs.10 (Rupees Ten Only) each fully paid up, on the same

terms and conditions. Your Company had issued 1,02,77,778 equity shares to its Holding Company for the said Arrangement.

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

6. Corporate Governance Report

Your Directors reaffirm their commitment to the corporate governance standards to the extent they are applicable to your Company. Corporate Governance Report forming part of Directors' Report for the year under review is attached separately as Annexure 1.

7. Subsidiary

Your Company doesn't have any subsidiary company.

8. Public Deposits

Your 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.

9. Management Discussion and Analysis

Management Discussion and Analysis Report forming part of Directors' Report is attached separately as Annexure 2.

10. Conservation of energy and technology absorption, foreign exchange earnings and outgo

The details pertaining to conservation of energy and technology absorption 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.

11. Particulars of Employees

The information on remuneration as per the provisions of Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in Annexure 3. In accordance with the provisions of Section 197 read with Rule 5 (2) to (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 Directors 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.

12. Directors / Key Managerial Personnel

A. Directors

The Board of Directors comprises of 7 (seven) Directors out of which 5 (five) are Independent Directors (including 1 Woman Director).

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.

At the Board meeting held on July 28, 2016, Mr. Baldev Raj Gupta (DIN no.: 00020066) was appointed 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 July 28, 2016.

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. Ajay Srinivasan (DIN: 00121181), retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, has offered himself for re-appointment.

Mr. D J Kakalia (DIN No.: 00029159), Mr. Jitender Balakrishnan (DIN No.: 00028320) and Mr. Ashwani Puri (DIN No.: 00160662), Directors, were appointed as Independent Directors at the extraordinary general meeting held on March 9, 2015, for a term of three years ending on March 8, 2018. The said directors have given their consent for being reappointed as Independent directors for a further term of five years with effect from March 9, 2018 up till March 8, 2023.

Your Directors proposes the appointment of Mr. Baldev Raj Gupta (DIN no.: 00020066) and reappointment of Mr. Ajay Srinivasan (DIN: 00121181), Mr. D J Kakalia (DIN No.: 00029159), Mr. Jitender Balakrishnan (DIN No.: 00028320) and Mr. Ashwani Puri (DIN No.: 00160662). 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 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, among 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 formulated a policy for selection and appointment of Directors, Senior Management and their remuneration. 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)

The Board of Directors at their meeting held on July 28, 2016 had considered revision in remuneration of Mr. Mosur w.e.f. 1st July, 2016 and his variable pay for FY 2015-16 as per the terms of his employment and remuneration cycle followed by the Company. The details on remuneration to KMPs are disclosed in the relevant annexures.

13. Board Meetings

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

14. Audit Committee and its composition

Our Audit Committee comprises of 3 (three) members as on date viz. Mr. Ajay Srinivasan, Mr. Ashwani Puri and Mr. D J Kakalia. 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.

15. Vigil Mechanism/ Whistle Blower policy:

Pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013, 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.

16. 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:

- 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, 2017 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, 2017 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.

17. 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 2017 - 18. 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.

18. IMPLEMENTATION OF 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.

The accounts of the Company are consolidated by Aditya Birla Nuvo Limited (ABNL) the ultimate holding Company. As IND AS is applicable to ABNL, the Company has prepared its account under IND AS and Indian Generally Accepted Accounting Principles (IGAAP). The accounts presented in this report are prepared as per IGAAP.

19. Internal Audit framework

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

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 May 3, 2016 had reappointed M/s. KPMG as Internal Auditors for the Financial Year 2016-17 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 changed the erstwhile Internal Auditors M/s. KPMG as they had conducted the audit for previous four financial years. M/s. PKF Sridhar & Santanam LLP, Chartered Accountants, were the Internal Auditors of the Wealth Management Division of the Company. To maintain uniformity your Company had appointed M/s. Aneja & Associates as Internal Auditors to conduct internal audit for all the functions and its branches.

20. Details of the adequacy of Internal Financial Controls

Your Company has put in place adequate financial Controls in the business and operational processes. These controls have been tested for design and operating effectiveness on a periodic basis and no significant exceptions were noted.

21. 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, 2017 and the date of the Directors' report.

22. Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013, in the Board meeting held on July 28, 2016 your Company had appointed M/s. BNP & Associates, Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the FY 2016-17. The Report of the Secretarial Audit is annexed herewith as "**Annexure 5**". There are no qualifications, reservations or adverse remark made by the Secretarial Auditor.

23. Risk Management Framework

The Company's risk philosophy aims to develop and maintain a healthy portfolio which is within its risk appetite and the regulatory framework. While the Company is exposed to various types of risks, the most important among them are credit risk, market risk, asset liability management (ALM) risk and operational risk. The identification, measurement, monitoring and management of the risks remain a key focus area for the Company.

The Company's risk management strategy is based on the following pillars - clearly identifying and understanding underlying risks, comprehensive assessment of the risks, implementing robust risk mitigation process / policy and initiating an early warning and stringent monitoring procedures. The policies and procedures are self-evolving and are continuously benchmarked with best industry practices.

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

Credit Risk Management structure includes overarching credit policies and procedures, 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 (Corporate Finance Group, Mortgages, Project & Structured Finance Group, Capital Market Group, digital lending and Personal & Business Loan) 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. 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.

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 Company has developed an on-line monitoring tool which helps in tracking all the covenants and documentation with escalation matrix built in to enable continuous monitoring and resolution of outstanding covenants.

Concentration Risk is managed by analysing industry, sector, geographical region, single borrower and borrower group, which is done online while conducting appraisal and monitored at regular intervals.

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

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.

24. 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 6**".

25. 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.

26. 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.

27. 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**".

28. Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as "**Annexure 8**".

29. 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 2016-17:

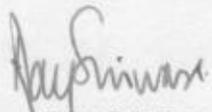
No of Complaints received	:	None
No of Complaints disposed off	:	Not Applicable

30. Appreciation / Acknowledgements

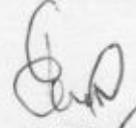
Your Directors wish to place their sincere appreciation for the valuable advice, guidance and support provided by the regulators and statutory authorities from time to time. Your Directors express their gratitude to the clients, bankers and all business associates for their continuous support and patronage 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 8, 2017

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 Directors' 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 7 (seven) directors as on date, of which 5 (five) are Independent directors including one woman director. 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

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 ^{##}	Chairmanship in Committees of other Public Cos ^{\$}
Mr. Ajay Srinivasan	Director	7	7	Nil
Mr. B N Puranmalka	Director	2	1	Nil
Mr. D J Kakalia	Director	5	5	Nil
Mr. Jitender Balakrishnan	Director	9	5	2
Mr. Ashwani Puri	Director	2	Nil	2
Ms. Alka Bharucha	Director	5	3	1
Mr. B. R. Gupta	Director	9	5	5

* 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

The 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 Committee's	20,000 per meeting per member

The details of sitting fees paid to these Independent Directors during the FY 2016-17 are given in the table below:

(Amount in Rs.)

Name of the Director	Board Meeting	Committee					
		Audit	Risk	Nomination & Remuneration	CSR	Finance	Merger committee
Mr. D J Kakalia	100,000	50,000	N.A.	20,000	N.A.	40,000	N.A.
Mr. Jitender Balakrishnan	200,000	N.A.	60,000	40,000	N.A.	N.A.	20,000
Mr. Ashwani Puri	200,000	100,000	N.A.	N.A.	40,000	N.A.	N.A.
Ms. Alka Bharucha	100,000	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Baldev Raj Gupta	100,000	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

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 by Functional Heads
- 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 2016-17, four Board meetings were held on May 3, 2016, July 28, 2016, October 27, 2016 and January 25, 2017.

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 2016-17		Attendance in the last AGM dated August 26, 2016
	Held	Attended	
Mr. Ajay Srinivasan	4	4	No
Mr. B N Puranmalka	4	4	No
Mr. D J Kakalia	4	2	No
Mr. Jitender Balakrishnan	4	4	No
Mr. Ashwani Puri	4	4	No
Ms. Alka Bharucha	4	2	No
Mr. Baldev Raj Gupta	2	2	No

E. Code of Conduct

The Company has designed and implemented a Code of Conduct for all 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

A. Composition of Audit Committee

Our Audit Committee comprises of 3 (three) members viz. Mr. Ajay Srinivasan, Mr. Ashwani Puri and Mr. D J Kakalia. 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 2016-17, the Audit Committee met four times on May 3, 2016, July 28, 2016, October 27, 2016 and January 25, 2017.

The attendance of the Audit Committee members at the Audit Committee meetings during the FY 2016-17 is given in the table below:

Name of the Committee member	No. of Audit Committee meetings	
	Held	Attended
Mr. Ajay Srinivasan	4	4
Mr. Ashwani Puri	4	4
Mr. D J Kakalia	4	2

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 2016-17 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	3
Mr. Tushar Shah	3	2
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. Maneesh Yadav *
- Mr. Devang Raval
- Mr. Hitesh Eidnani
- Mr. Chandramohan Amritkar
- Mr. Tushar Shah
- Mr. Ajay Singh
- Mr. Rajeev Sharma
- Mr. Arnab Basu
- Mr. Prosenjit Aich[§]
- Mr. Nirmal Kishore[§]

Mr. Vitthal Naik- Permanent Invitee

* Member upto January 25, 2017

§ Appointed with effect from January 25, 2017

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 2016-17 is given in the table below:

Name of the Committee member	No. of Asset Liability Management Committee meetings	
	Held	Attended
Mr. Rakesh Singh	9	9
Mr. Tushar Shah	9	9
Mr. Sekhar Mosur	9	9
Mr. Ajay Singh	9	7
Mr. Sanjay Miranka	9	9
Mr. Maneesh Yadav	7	1
Mr. Devang Rawal	9	7
Mr. Rajeev Sharma	9	1
Mr. Chandramohan Amritkar	9	9
Mr. Hitesh Ednani	9	2
Mr. Prosenjit Aich	2	0
Mr. Nirmal Kishore	2	2

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

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 2016-17 is given in the table below:

Name of the Committee member	No. of Nomination and Remuneration Committee meetings during the FY 2016-17	
	Held	Attended
Mr. Ajay Srinivasan	2	2
Mr. B N Puranmalka	2	2
Mr. D J Kakalia	2	1
Mr. Jitender Balakrishnan	2	2

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

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) Meetings of CSR Committee and attendance of CSR Committee members

The attendance of the CSR Committee members at the CSR Committee meetings during the FY 2016-17 is given in the table below:

Name of the Committee member	No. of CSR Committee meetings during the FY 2016-17	
	Held	Attended
Mr. Ajay Srinivasan	2	2
Mr. B N Puranmalka	2	2
Mr. Ashwani Puri	2	2

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 28, 2017, had completed the performance evaluation exercise.

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) Brief profile of Directors to be re-appointed in the 26th Annual General Meeting of the Company:

Mr. Ajay Srinivasan is retiring by rotation and approval is being sought for his re-appointment. Mr. Srinivasan has a rich and vast experience of 20 years in Finance Industry. Mr. Srinivasan has been with the Aditya Birla Group since July 2007. In his role as Chief Executive, Financial Services, he sets the vision and provides strategic direction and leadership for the Group's Financial Services business which covers several verticals such as life insurance, fund management, private equity, wealth management, retail broking, capital markets based lending, corporate financing and general insurance broking. Under his leadership the financial services business has grown rapidly with an annual turnover of about \$ 1 bn and a workforce of over 15,000 people. He was previously with Prudential Corporation Asia where he was the Chief Executive, Fund Management, based in Hong Kong. He was with Prudential Corporation since 1998 and has held various positions starting as managing director, Prudential ICICI Asset Management Company Ltd. He moved to set up Prudential's Fund Management business in Asia in 2001 and from a standing start expanding the business to 10 markets and to become one of the leading fund managers in Asia with close to US\$ 70 Billion in FuM.

Mr. Ashwani Puri's term as an Independent Director is expiring on March 8, 2018 and is proposed to be reappointed as an Independent Director for an additional term of five years w.e.f. March 9, 2018. Mr. Puri is a financial and accounting professional with extensive experience in investment/ acquisition and advisory services, valuation and decision analysis, business and financial restructurings, dispute analysis and forensics. He was with PriceWater House Coppers (PwC) for 34 years, 22 of these as Partner/ Executive Director and has served in various positions. His selected Financial Services Clients include Asian Development Bank, Asset Reconstruction Company (India) Limited, Cerberus, Citigroup, Deutsche Bank, ICICI bank, IDBI, IFCI, Industrialization Fund for Developing Countries/ Denmark, Standard Chartered Bank, USAID, WL Ross and World Bank.

Mr. Jitender Balakrishnan's term as an Independent Director is expiring on March 8, 2018 and is proposed to be reappointed as an Independent Director for an additional term of five years w.e.f. March 9, 2018. Mr. Balakrishnan was an Adviser to IDBI Bank and was Deputy Managing director and group head of IDBI Bank, responsible for complete credit advances of USD 25 billion. He served as a member on IDBI's Credit Committee, Asset Liability Management Committee and investment Committee. He has wide experience in sectors like Oil and Gas, Refineries, Power, Telecom, Airports, Roads, Ports, Steel, Cement, Fertilizers, Petrochemical, Hotel, Pharmaceuticals, Paper.

Mr. Darius J Kakalia's term as an Independent Director is expiring on March 8, 2018 and is proposed to be reappointed as an Independent Director for an additional term of five years w.e.f. March 9, 2018. Mr. Kakalia commenced his practice as a commercial Lawyer having built an extensive transaction practice and court practice having an extensive background in corporate commercial matters, setting up of Joint Ventures, Mergers and Acquisitions, ADR's and GDR's as well as real estate transactions and disputes and litigations related to these sectors and areas of practice.

Over the years he has specialized in the power sector, acting for large Power Companies and has advised consortiums for the bids with respect to the 4000 Mw Ultra Mega Power projects that have recently been proposed by the Power Corporation of India. He has regularly appeared before the MERC, the Bombay High Court and in the Supreme Court of India with respect to various litigations relating to disputes in the power sector. He has extensive experience in power projects.

b) General Body Meetings

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

AGM	Year	Date of the AGM	Time	Venue
25 th	2016	26/08/2016	10:30 a.m.	Registered Office
24 th	2015	28/08/2015	10:30 a.m.	Registered Office
23 ^d	2014	15/09/2014	11.00 a.m.	Registered Office

c) General Shareholder Information

Date, Time and Venue of the 26 th Annual General Meeting	June 2, 2017, 10.30 a.m., Indian Rayon Compound, Veraval, Gujarat – 362 266
Year	2017
Registration no. of the Company as per Companies Act with the Registrar of Companies. Corporate Identification Number (CIN)	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

Management Discussion & Analysis

Overview of global economy

The year 2016-17 was a year of surprises. Global growth moved to 3.1% (according to World Bank) in 2016 and is expected to rise to 3.5% in 2017 and 3.6% in 2018. The recovery in the US is the prime driver for this growth improvement. Also, stable commodity prices are expected to keep growth in Emerging Markets fairly reasonable. The World Bank expects Advanced Economies to grow @ 2% (up from 1.7% in 2016) and the Emerging and developing economies are expected to grow @ 4.5% in 2017, up from 4.1% in 2016. Overall therefore, global growth is expected to pick up.

With inflation in Advanced economies set to rise to 2%; 2017 would be keenly watched by global financial markets to see what trajectory Fed rates would follow, post the first hike already seen in Mar 2017. In the absence of any meaningful tailwinds to commodity prices, any spike in global inflation is less likely.

In the backdrop of persistent uncertainty, financial markets are expected to be on their toes all through.

Industry structure and developments

The NBFC sector assumes a critical role in financial inclusion as it caters to a wide range of financial activities. NBFCs are expected to play a crucial role in fostering inclusive growth, especially in sectors like MSMEs, Retail and SME. The asset side of NBFCs continued to register significant growth. During the period from March 2006 to March 2016, NBFCs (including HFCs) have grown at a CAGR of 20% while banks have grown at CAGR of 16 and NBFCs' share of credit growth in India vis-à-vis banks has also expanded from 16% to 21%. This growth has been achieved in a sustainable and profitable manner. While banks witnessed subdued credit growth in sectors constrained by asset quality stress, NBFCs did well. The accelerated growth in credit deployment by NBFCs was due to their ability to contain risks, better product lines, lower cost, tap demand in niche markets, good TAT and better understanding of their customer segments. The profitability of NBFCs was significantly higher as compared to commercial banks. However, the NPAs of NBFCs remained relatively lower than the NPAs of the banking sector.

The NBFC sector continued to raise funds mainly through debentures, borrowings from banks and commercial papers. The Reserve Bank also eased the norms for external commercial borrowings (ECBs) for NBFCs that lend to the infrastructure sector, to raise ECBs with a minimum maturity of five years. In addition, the Reserve Bank also allowed NBFCs to raise funds through rupee denominated bonds overseas.

We believe that the credit growth cycle is bottoming out in India. Personal loan growth is robust and should continue to do well as incomes rise and government delivers the financial inclusion agenda. Industry credit has been a laggard in the recent past but we believe that the worst is behind us. The economy is showing signs of recovery with government focusing on infrastructure spending. Programs like 'Make in India', Road/Rail/Port development, Renewable energy push, PM Awas Yojana (House for everyone) etc. will create huge demand for credit as private sector will kick-start the capital expenditure to participate in these programs. At the same time, the banks with the clean balance sheets would be ready to supply the loans.

Opportunities and Threats

Opportunities

- Under-penetration of financial services / products in India offers growth opportunities.
- The penetration of NBFC credit & wealth management business in India is lower as compared to the total credit penetration and total wealth management business across the globe
- Tremendous brand strength and extensive reach of the Aditya Birla Group.
- Introduction of array of new products in MSME, Retail and SME to meet the varied requirements of customers.
- The infrastructure segment is expected to see sustained growth with a significant thrust being given by the Government to this sector.

Threats

- Competition from local and multinational players
- Regulatory changes
- to maintain high quality book as portfolios grows retail
- Attraction and retention of human capital
- Investments in direct plans by investors for the wealth business

Business Overview and Performance - Product wise

Headquartered in Mumbai, Aditya Birla Finance Limited (“the Company / ABFL”) provides quality financial services across the country through a network of 34 lending branches and associates. The Company operates through the array of following business segments:

- Corporate Finance Group
- Mortgages
- Project & Structured Finance Group (PSFG)
- Capital Market Group
- Business Loans / Personal Loans
- Digital lending
- Wealth management business
- Treasury

The overall loan portfolio of the Company grew from Rs 25,755 Crore in FY16 to Rs 34,703 Crore in FY17, a growth of 35%. Wealth management business assets under management (AuM) has grown to Rs 13,518 Crore. Business-wise portfolio growth as compared to previous year is given below:

(Rs in crore)

Business/ Product	March 2017	March 2016	%
Corporate Finance	10,219	6,917	48%
Mortgages	7,700	6,593	17%
PSFG	10,968	7,336	50%
Capital Market	4,847	4,407	10%

Business Loans / Personal Loans	370	22	-
Digital lending	70	-	
Treasury	529	480	10%
Total	34,703	25,755	35%
Wealth management (AuM)	13,518	8,577	35%

i) Corporate Finance Group (CFG)

- Corporate Finance Group offers customised financing solutions to meet working capital and term financing needs of SMEs, Mid and Large Corporate segments. CFG vertical has emerged as a formidable force in the lending space and has created a niche for itself especially in the structured finance segment.
- CFG continued with the growth momentum established in FY 15-16 and has delivered yet another year of stellar performance. CFG embarked upon its accelerated journey from a portfolio base of Rs. 6,917 Crore at the beginning of the year and amassed a net addition of Rs. 3,305 Crore of assets to close the year with Rs. 10,222 Crore, thereby registering over 48% growth in FY 16-17.
- The segmental and sectoral focus in CFG has yielded desired results in terms of asset book growth, contributed almost equally by both the SME and Emerging & Large Corporate space. The CFG asset book composition currently comprises of ~60% contribution from the Emerging & Large Corporates and ~40% contribution from the SME segment.
- The Supply chain business has been a key contributor to the asset book growth as it continues to make inroads to build a granular portfolio with a huge client base through deeper penetration encompassing the Aditya Birla Group's ecosystem and also large external Anchors.

ii) Mortgages

- The Mortgages division caters to the asset-borrowing requirements of individuals as well as corporate clients through its products Loan against Property (LAP), Lease Rental Discounting (LRD), Commercial property funding and Construction Finance. The business has successfully grown its Portfolio during the year under review and has a seasoned book now.
- Mortgages portfolio grew 18% during the year from Rs 6,593 Crore as on March 31, 2016 to Rs 7,773 Crore as on March 31, 2017.
- The Construction Finance (CF) business grew further during the year and stood at Rs 1,720 Crore as on March 31, 2017.

iii) Project & Structured Finance Group (PSFG)

- FY17 saw the Roads sector picking up momentum with active bidding for green field Hybrid Annuity Projects / EPC contracts by several developers. The sector also witnessed Global Infra platforms/ PE funds taking over operational assets followed by consolidation of debt. Thus, both green field capex as well as acquisitions created lending opportunities, the former at finer rates.
- Buoyed by revision of green energy targets, increasing penetration of UDAY scheme and falling capital costs of solar panels, both State bodies and developers maintained the pace of project implementation in the renewable space, particularly in the solar sector.

- The lending business capitalized on the opportunities in the roads and renewable sector by providing underwritten solutions for mid-sized projects by large business houses as well as to the well- entrenched medium-sized players. As a result, strong growth was registered in both Roads as well as Renewable energy sectors with assets in both sectors nearly doubling in FY17 compared to FY16. Other than Power Generation, Power transmission and distribution also contributed to the growth of the loan book. Across the sectors, the focus was on select assets, with stable performance metrics/ pedigree and track record of Sponsors.
- In a falling interest rate regime, yields in lending were protected by maintaining a healthy mix of Corporate and Structured loans with Project loans.
- Profitability was also boosted by the fees based DCMS business (Debt Capital markets & Syndication) which recorded a 47% jump in fees earned in FY17 vis-à-vis FY16.
- Overall, the PSFG grew its lending business through a judicious blend of underwriting and syndication for green field/ brown field projects along with co-participation in large refinance transactions underwritten by other Banks/Financial Institutions.
- The PSFG division registered a growth of 50% with the Asset Book growing from Rs. 7,336 Crore as on March 31, 2016 to Rs. 10,968 Crore as on March 31, 2017.

DCM & Syndication Business

- The portfolio was also buoyed by healthy activity in the Debt Capital Markets with subscription and placement of NCDs/bonds with a number of pedigree clients. Capitalizing on an emerging opportunity, the DCM desk also subscribed and placed a number of bank bonds resulting in capital gains and fee earnings. The Desk also sourced transactions from the primary as well as secondary markets for the Company's proprietary book resulting in growth in AuM and earnings for the lending business.
- The Syndication Business successfully complemented the lending business by underwriting and syndicating loan transactions, providing a holistic solutions to the Company's corporate clients. This helped the Company to optimize earnings as well as contain risk by limiting proprietary book exposures through its distribution capabilities. The business has created a wide acceptance in the financial/lending fraternity with a large number of banks and financial institutions participating in ABFL's syndications.

iv) Capital Market Group (CMG)

- The CMG loan book grew 10% over last March to Rs 4,847 Crore with near Nil stressed assets. It continues to be one of the leading lender in the industry.
- Prudent underwriting, offering diversified & customized products, product re-structuring and IPO funding were the key impetus for the achievement.
- IPO business underwriting was at its peak during the year and vibrancy was seen in retail lending against mutual fund route.

v) Business Loans / Personal Loans

- The Unsecured Lending business caters to the financing needs across the spectrum of borrowers from SMEs to Salaried individuals and Professionals such as Doctors, CAs etc.
- In its first full year of operations the business grew from Rs 22 Crore on March 31, 2016 to Rs 373 Crore as on March 31, 2017 growing by more than 15X. The number of loan accounts grew from 140 to 2,236 growing by 15X. The business disbursed Rs 393 Crore in FY 17 and is operational in 13 locations as compared to 3 in the previous fiscal.

- The business has special focus towards ABG ecosystem with Aditya Birla Group employees constituting 40% of the total customers of Personal Loans.
- The business will continue to increase its retail penetration and expand the geographical presence while maintaining healthy margins.

vi) **Digital Lending**

The Digital Lending business was launched in January 2017 to offer unsecured term loans to SMEs and self-employed individuals for business use. This business closed the fiscal with a portfolio of Rs. 70 crore.

vii) **Wealth management**

The wealth management division of the Company operates through 3 business segments:

- Wealth Management (Deals with HNI & UNI)
- Business Partner Group (Deals with Channel Partners/ IFA's)
- Corporate and Treasury Services (Deals with Large/Mid/Small corporates)

a. **Wealth Management (WMS)**

- Wealth Management segment (WMS) caters to the requirements of Individual HNI's and UHNI's and aims to provide traditional and customized Investment options to meet their long term goals.
- WMS posted an accelerated growth of 35% during the year with its AuM growing from Rs 3,647 Crore at the beginning of the year to Rs 4,918 Crore as on March 31, 2017.
- The foundation is based on 3 principles for the investors which are accumulation, preservation and transmission.

b. **Business Partner Group (BPG)**

- 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 in remote and key locations.
- BPG vertical posted an accelerated growth of 24% during the year with its AuM growing from Rs 1,496 Crore at the beginning of the year to Rs 1,858 Crore as on March 31, 2017.
- PMS portfolio grew from Rs.11.6 Crore at March 31, 2016 to 52.1 Crore as on March 31, 2017 – YOY Growth of 350%

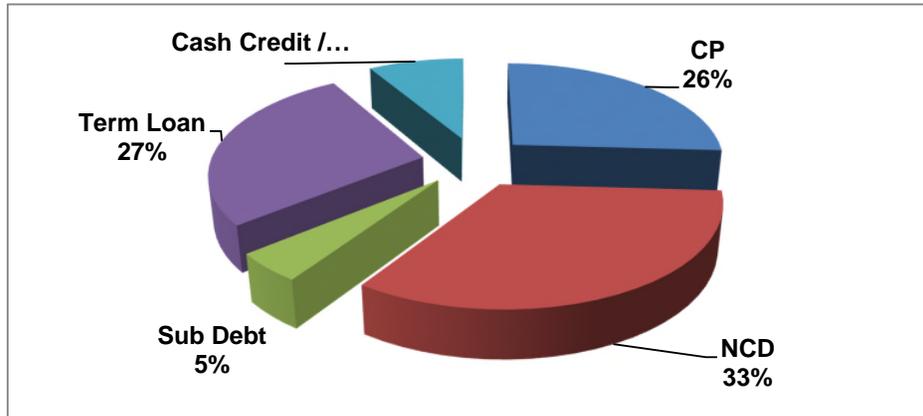
c. **Corporate and Treasury Services (CTS)**

- 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.
- The CTS Business works to develop and execute thoughtful investment solutions for the diverse corporate client base through our cutting edge research and advisory.

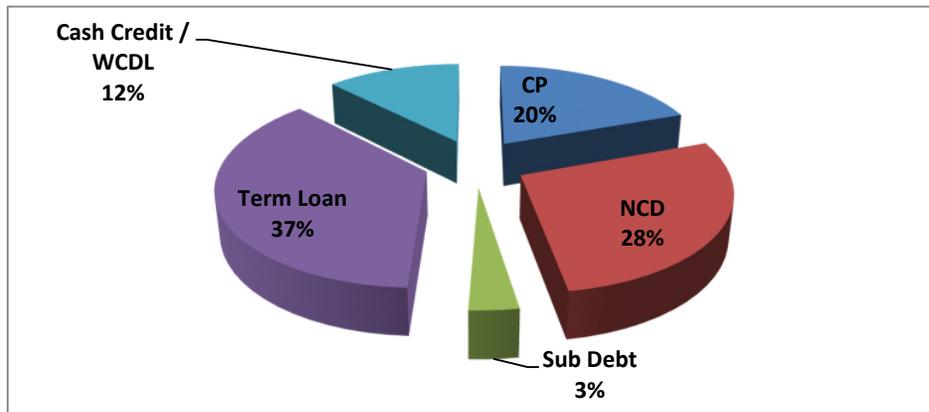
- CTS posted an accelerated growth of 204% during the year with its AuM growing from Rs 2,376 Crore at the beginning of the year to Rs 7,242 Crore as on March 31, 2017.
- Trail generating assets grew from Rs 1,623 Crore at the beginning of the year to Rs 2,330 Crore as on March 31, 2017 giving a YOY growth of 44%.

Borrowing Profile

The borrowing profile of the Company as on March 31, 2017 and March 31, 2016 is shown below:

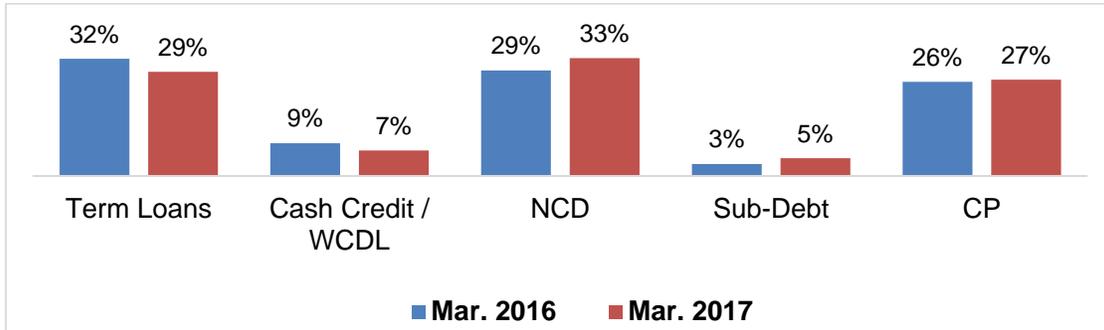


March 31, 2017 – Outstanding Debt Rs 28,951 crore

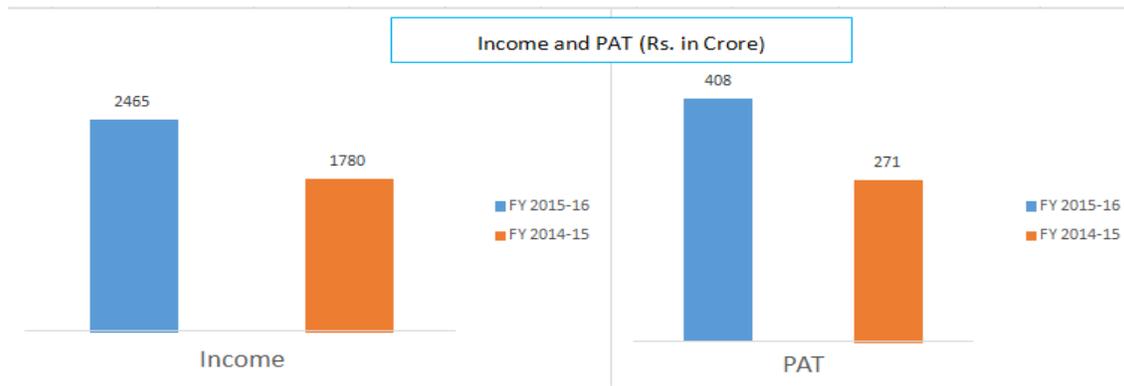


March 31, 2016 – Outstanding Debt Rs 21,423 crore

Your Company increased its NCD issuances in the current financial year which helped in bringing down its overall borrowing cost. During the year, the short-term rating limit was enhanced from Rs 6,000 crore to Rs 10,000 crore, thereby enabling the Company to access lower cost debt. The chart below shows the movement of contribution from various products in line with the Company's strategy of bringing down the cost of borrowing.



Financial Performance



During the year under review, income of the Company grew by 38% to Rs 2,465 Crore. Profit after Tax registered a growth of 51% to Rs 408 Crore.

Capital Adequacy Ratio (CAR)

As on March 31, 2017 the Capital Adequacy Ratio for the Company was 17.33% (previous year 16.15%) against a minimum of 15% as required by RBI norms. The Tier I capital of the Company was 13.69% (previous year 13.64%) and Tier II capital was 2.64% (previous year 2.51%).

The Networth of the Company as at March 31, 2017 was Rs 4,989.96 Crore as against Rs 3,695.80 Crore in the previous year. Additional capital aggregating Rs 699.97 Crore was infused to meet the growth requirements of the Company. Total borrowing outstanding as at March 31, 2016 was Rs 28,913 Crore (previous year Rs 21,409 Crore). The Company has not raised any fixed deposits from the public.

Outlook

NBFCs have been playing a very important role from the macroeconomic perspective and as a core catalyst in the Indian financial system. For a large and diverse country such as India, ensuring financial access to fuel growth and entrepreneurship is critical. With the launch of government-backed schemes (such as the Pradhan Mantri Jan-Dhan Yojana [PMJDY]), there has been a substantial increase in the number of bank accounts; however, a mere 15% of adults have reported using an account to make or receive payments. The government and regulatory bodies have taken decisive steps to increase this number (and subsequently financial access) by granting in principal licenses to as many as 21 players to establish specialty banks over the next 18 months. This is over and above the focused approach of the

other industry bodies such as the National Payments Corporation of India (NCPI) to further strengthen and augment the payments ecosystem by launching the Unified Payment Interface (UPI) and Bharat Bill Payments System.

The introduction of such specialized players and systems will truly transform the banking value chain in its entirety. This presents a strategic opportunity for NBFCs to ensure sustainable growth over a long term. Partnerships with payments banks, bill payment providers and other financial institutions, will help NBFCs offer the complete proposition—that is, from deposits to lending, investments and transactions. The reach of NBFCs, along with their strong understanding of the market, can help them position themselves as a better alternative to the traditional ways of banking.

Furthermore, the Indian consumer is increasingly adopting digital as a way of daily life. India is currently the second biggest smartphone market, with a user base of 220 million, and is expected to cross 300 million users by 2017. To stay relevant in such an environment, NBFCs need to rethink their strategy to enhance their product portfolio (positioning and pricing), processes (internal and customer facing) and end-to-end customer experience. Additionally, they need to leverage the vast digital (and social) customer data available to be able to serve customers better. The absence of income proofs or IT returns due to temporary/self-employment are some of the primary reasons for the tepid credit penetration in India. Digital and social data can often act as a surrogate to such documents to help NBFCs make better credit decisions. With the launch of the Digital India programme, a flagship programme of the Government of India to digitally empower society, NBFCs will have to find ways to serve the millennial customers through digital means. In order to compete in this changing lending landscape, NBFCs need to realise the immense value of alternative data and make investments in technology and analytics to develop advanced credit scoring models that leverage both traditional and non-traditional data sources. NBFCs will need to develop behaviour-based credit risk models on the lines of those developed by online lenders, which incorporate the social graph, personal network, employment history and educational background of the borrower into their credit scoring rules.

Outlook on domestic growth

On the Indian macroeconomic front, FY17 started on a good note with various economic activity indicators slowly recovering and normal monsoon after 2 years of bad monsoon added to the momentum. This was followed by a brief period of volatility as news around BREXIT led to market volatility. Soon, markets got over this, the legislation of inflation targeting framework and creation of the monetary policy committee offered some direction to markets. The run up to the festive season saw improved sentiments in the backdrop of overall macroeconomic stability. Increased activity around the reform agenda and passing of GST bill painted a good outlook. The demonetization exercise caused a temporary kink in an otherwise smooth recovery process. But the outcome of this exercise will be a cleaner economy, better tax compliance and a change in attitude towards cash transactions and all this reinforced the government's resolve to reduce corruption.

We are expected to close FY17 with a GVA growth of 6.7% yoy down from 7.8% in FY16. Inflation remained well under control, over achieving RBI's target of 5% by averaging at 4.5% for FY17 down from 4.9% in FY16.

The natural by-product of the demonetization exercise was a rush of deposits into the banking system. This liquidity surplus with banks enabled monetary policy transmission significantly as banks cut their MCLR's by about 90bps post this move. But credit offtake continued to remain muted. FY17 saw average credit growth of 7% yoy down from 9% yoy in FY16.

While the reliance on banks as a provider of funds slowed, non-bank sources took the lead by disbursing ~62% of the overall flow of funds to the commercial sector. External fund flows, especially in the form of FDI played an important role in this, as gross FDI inflows for FY17 stood at ~60bn\$, up from ~55bn\$ in FY16. In fact, post the state election results, a new found interest from FPI's has added to the currency strength basis whereby INR has already appreciated by ~5% since the beginning of 2017.

Growth prospects for FY18 seems to be improving. In addition, inflation looks contained, the government is all set to go ahead with GST, FII's are looking at India positively and increased thrust on financial inclusion has encouraged retail participation in the financial services industry especially in the non-bank space. Overall, this bodes well for the FS industry.

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.

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 (Corporate Finance Group, Capital Market Group, Mortgages and Project & Structured Finance Group, Business loans/Personal loans). Management of credit risk is carried out through credit policy definition, target market definition, 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. 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

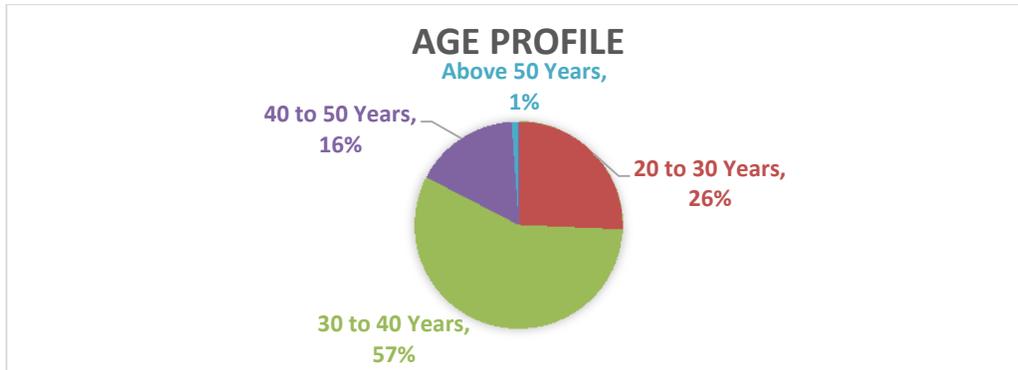
The Company has adequate internal controls systems and procedures covering key financial and operating functions commensurate with the size and nature of operations to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported correctly. The Company carries out extensive and regular internal audit, policy reviews, guidelines and 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, including number of people employed

As on March 31, 2017 your Company had 961 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.

Your Company’s vision is to be a leader and role model in a broad-based and integrated financial services business. 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 ABFL 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 2 day 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 the only NBFC to have conceptualized and effectively implemented an extensive Functional Competency Framework. Propel now includes an online engine for **Competency Bases Interviewing**, supporting managers with the interview process.

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. This has been the outcome of regular employee engagement including events like the Annual Picnic, Women's Day, Cricket Tournament and Bandhan, the ABFL Family day.

Employee Wellness – A number of key initiatives help our employees achieve a healthy work-life balance – Health Week, Diet counselling, Health Camps, Yoga and Zumba sessions, participation in the Standard Chartered Marathon and Stepathlon. To ensure workplace safety, a communication initiative at the Group level called 'ABFSG Wellness at Work' ends regular communication to employees to sensitize them on work-place safety. Vitamin H is the Group's comprehensive information and solution portal for all wellness related issues. It is an interactive platform for employees and their families to connect with each other as well as experts from the field of health and wellness.

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, ABFSG'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 ABFL, 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.

At the Financial Services Group level, ABFSG Awards have been instituted to recognise exemplary performers.

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 ABFL's mission.

The HR Strategic Objectives achieved through the Planning and Budgeting exercise are:

1. **Optimal workforce planning** – right people with the right skills at the right time
2. **Organisation Agility** – keep up with social, legislative, economic and technological trends that might have an impact on us
3. **Flexible Organisation** – remain flexible so that we can adapt quickly to manage environmental changes
4. **Equip for Success** – keep the organisation equipped for the future challenges through learning and development initiatives
5. **Engaged workforce** – develop an emotional connect to the organisation and its goals in the minds of the employees

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

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 2016-17

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 2016-17 <table border="1"> <tr> <td>Mr. Rakesh Singh, CEO 15.74</td> <td>Mr. Sekhar Mosur, Manager 10.32</td> <td>Mr. Sanjay Miranka, CFO 9.39</td> <td>Mr. Ankur Shah, CS 14.90</td> </tr> </table>	Mr. Rakesh Singh, CEO 15.74	Mr. Sekhar Mosur, Manager 10.32	Mr. Sanjay Miranka, CFO 9.39	Mr. Ankur Shah, CS 14.90
Mr. Rakesh Singh, CEO 15.74	Mr. Sekhar Mosur, Manager 10.32	Mr. Sanjay Miranka, CFO 9.39	Mr. Ankur Shah, CS 14.90		
3	Percentage increase in median remuneration of employees in the FY 10.15%				
4	No. of permanent employees on rolls of the Company 961				
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 ^{\$} <i>Average percentile increase in the salaries of employees other than the managerial personnel in the last financial year – 11.70%</i> <i>Average percentile increase in the salaries of the managerial personnel in the last financial year – 13.70%</i>				
6	It is hereby affirmed that the remuneration paid is as per the remuneration policy of the Company				

^{\$} For the purpose of calculating managerial remuneration, only CEO and Manager are considered.

Aditya Birla Finance Limited
(An Aditya Birla Group Company)
NOMINATION AND REMUNERATION COMMITTEE CHARTER
Adopted on 30 July, 2015

1. Purpose

The Nomination and Remuneration Committee ("Committee") is appointed by the Board of Directors ("Board") of Aditya Birla Finance Limited ("Company") and is charged with formulating and recommending to the Board of Directors:

- I. The Company's policies relating to the remuneration of the directors, key managerial personnel and other employees; and
- II. Criteria for determining the qualifications, positive attributes and independence of current and proposed directors.
- III. To ensure fit and proper status of existing / proposed directors.

2. Committee Constitution and Membership:

The Committee shall consist of no fewer than three members, of which all shall be non-executive directors and at least half shall be independent. The Chairman of the Committee ("Chairman") shall be an independent director. The members, including the Chairman, shall be appointed by the Board. The members of the Committee may be removed by the Board in its complete discretion. The Chairman of the Board of Directors can serve as a member of the Committee, but may not serve as Committee Chairman.

3. Roles and Responsibilities

The primary responsibilities of the Committee are set forth below:-

A. Executive Remuneration:

- a. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors and Senior Managers of the quality required to run the Company successfully;
- b. The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c. The remuneration provided to directors and Senior Managers includes a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

B. Executive Talent:

- a. Formulate appropriate policies, institute processes which enable the identification of individuals who are qualified to become Directors and who may be appointed in senior management and recommend to the Board of Directors their appointment and removal from time to time.
- b. Review and Implement succession and development plans for Managing Director, Executive Directors and Senior Managers.
- c. Devise a policy on Board diversity.
- d. Formulate the criteria for determining qualifications, positive attributes and independence of directors.

C. Board Performance and Rewards

- a. Establish evaluation criteria and conduct the process of performance evaluation of each Director in a structured manner.
- b. Establish evaluation criteria of Board and Board Committees.
- c. Review and make recommendations to the Board with respect to any incentive-based compensation and equity-based plans that are subject to Board or shareholder approval (including broad-based plans).

D. Disclosures

- a. The Committee shall review and discuss with management the disclosures required to be included in the Directors report, as specified in the Act and the Rules thereunder.

E. Fit and proper criteria

The Guidelines for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis are appended in Annexure – 1.

4. Organization

The Committee will meet at least one time during each fiscal year, or more frequently as it deems necessary to carry out its responsibilities. Meetings of the Committee may be called by the Chairman or a majority of the members of the Committee. A majority of the Committee members will constitute a quorum. The act of a majority of the Committee members present at any meeting at which a quorum is present will be the act of the Committee. In case of an equality of votes, the Chairman shall have a second or casting vote.

Minutes of the Committee will be recorded and maintained by the Company Secretary and presented to the Committee at the next Committee meeting for approval. The Company Secretary, or his/her designate as approved by the Chairman, shall act as secretary for the meetings. For in camera sessions held by the Committee without management present, minutes will be recorded and maintained by the Chairman or his/her designate. Each member of the Board will have access to the minutes of the Committee's meetings, regardless of whether he or she is a member of the Committee.

The Committee will be called upon from time to time to enable the Board's to decide on appointment and removal of Executives. The Committee is expected to exercise due diligence, professional judgment and prudence in this process

In discharging its responsibilities, the Committee will be supported by the Group Human Resources-Rewards and Benefits team of the Aditya Birla Group, who are independent of the companies. In addition the Committee will have resources, authority and adequate funding to appoint external consultants

5. Group Context

The Aditya Birla Group is a conglomerate and it is designed in a manner that there is sharing of resources and infrastructure, such that there is a uniformity of business processes and systems thereby promoting synergies and exemplary customer experiences. In order to do so there are multiple entities within the Group who provide such specialist services. The manpower costs of these services are at arm's length and arise in the normal course of business. The details of the Group Context and its implications on remuneration programs are appended in Annexure – 2 of this document.

Annexure- 1:

- a) The Committee shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. The Company shall obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 2 of the RBI circular no. RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated April 10, 2015, as amended / modified from time to time.
- b) The process of due diligence shall be undertaken by the Company at the time of appointment / renewal of appointment.
- c) The Nomination & Remuneration Committee of the Board shall scrutinize the declarations.
- d) Based on the information provided in the signed declaration, Nomination & Remuneration Committee shall decide on the acceptance or otherwise of the directors, where considered necessary.
- e) The Company shall obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- f) The Board of the Company must ensure in public interest that the nominated/ elected directors execute the deeds of covenants in the format given in Annex-3 of the RBI circular no. RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated April 10, 2015, as amended / modified from time to time.
- g) The Committee shall also consider the declarations obtained from the directors as per the provisions of the Companies Act, 2013, for ascertaining their 'fit and proper' status.

Annexure- 2:

Aditya Birla Group Context

The Aditya Birla Group (ABG) is structured in a way such that:

1. Multiple Lines of Business (LOB's) coalesce under one legal entity
2. Multiple legal entities merge into a single LOB
3. One LOB is represented by a single legal entity (Ex-Idea Cellular, Hindalco Industries, Aditya Birla Nuvo, etc.)

This combination of business and legal structures have created a network of organizations who exemplify the concept of the Aditya Birla Group as a conglomerate. This network enables individual entities to achieve economies of scale, sharing of resources, infrastructure and costs .In order to understand the Group's philosophy and construct of remuneration programs it's important to recognize the salient features emanating out of the structure which have an impact on remuneration program design.

A. Synergy and Shared Infrastructure

In case of 1 and 2 above ABG companies utilize shared resources to ensure the uniformity of business processes, systems, promote synergies and exemplary customer experience. The costs of implementing these processes (including manpower costs) are shared across these entities on an arm's length basis and arise in the normal course of business

B. Specialist Services from the Group's Center

A key enabler to businesses performance are world class specialist services provided from the Group's Center.

The Group Center hosts a number of Group Functions or Centers of Expertise (COE's).These COE's are instrumental in promoting specialist services, processes and knowledge sharing across the Group. To achieve economies of scale, many of the businesses have interconnectivity among themselves in terms of sharing of resources, infrastructure and costs. These services are provided strictly on arm's length basis and in the ordinary course of business.

C. People Advantage

The conglomerate structure enables the Group and its entities to attract and retain the best of talent by leveraging its Employer Brand. Employee mobility, talent fungibility are the key propositions of the Employer Brand.

In order to leverage its talent pool, Group's Remuneration programs are governed by common principles and frameworks which are customized for each sector. In addition Remuneration programs are managed by an internal governance process which are applicable to every Group entity.

The Nomination and Remuneration Committee is encouraged to take into account the three elements (A to C) above as part of its deliberations

Form No. MR-3

SECRETARIAL AUDIT REPORT

For the financial year ended 31st March, 2017

[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 audit period from 01st April 2016 to 31st March 2017. Secretarial Audit was conducted in a manner that provides 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 from 01st April 2016 to 31st March 2017 (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 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 (Prohibition of Insider Trading) Regulations, 2015
 - (b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(d) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

iv. Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended and other relevant guidelines and circulars issued by the Reserve Bank of India from time to time.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by the Institute of Company Secretaries of India related to meetings and minutes; and

(ii) Debt Listing Agreement entered into by the Company with the National Stock Exchange of India Limited.

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

During the period under review, provisions of the following regulations were not applicable to the Company:

(a) 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;

(b) The following Regulations and Guidelines prescribed under the SEBI Act:-

- i. The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- iii. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014;
- iv. 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;
- v. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- vi. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and

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 period under review were carried out in compliance with the provisions of the Act.

Adequate notice 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 where the same were given at shorter notice than 7 (seven) days, proper consent thereof were obtained 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 period under review.

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,

1. the Company has allotted following equity shares on Right basis:
 - a. Allotted 92,10,000 (Ninety-Two Lakh Ten Thousand) equity shares of Rs 10/-(Rupees ten only) each at an issue price of Rs 152/- (Rupees one hundred and fifty two only) per share on 29th July 2016;
 - b. Allotted 46,00,000 (Forty-Six Lakh) equity shares of Rs 10/-(Rupees Ten) each at an issue price of Rs 152/- (Rupees one hundred and fifty two only) per share on 08th March 2016;
 - c. Allotted 1,31,50,000 (One Crore Thirty-One Lakh and Fifty Thousand) equity shares of Rs 10/-(Rupees ten only) each at an issue price of Rs 152/- (Rupees one hundred and fifty two only) per share on 24th March 2016;
 - d. Allotted 1,34,86,800 (One Crore Thirty-Four Lakh Eighty-Six Thousand and Eight Hundred) equity shares of Rs 10/-(Rupees ten only) each at an issue price of Rs 152/- (Rupees one hundred and fifty two only) per share on 27th March 2016;
 - e. Allotted 56,05,260 (Fifty-Six Lakh Five Thousand Two Hundred and Sixty) equity shares of Rs 10/-(Rupees ten only) each at an issue price of Rs 152/- (Rupees one hundred and fifty two only) per share on 30th March 2016.

2. Obtained approval from its Members at an Extraordinary General Meeting of the Company held on 30th May 2016:
 - a) to borrow funds not exceeding Rs 40,000 Crore,
 - b) to grant authority for mortgaging or creating charge on Company's assets as a security towards borrowings not exceeding Rs. 40,000 Crore; and
 - c) authorizing the issuance of Secured Redeemable Non-Convertible Debenture for amount not exceeding Rs 15,000 Crore and subordinated debt for amount not exceeding Rs 1500 Crore on a private placement basis.
3. During the year, the Company has allotted Secured and Unsecured Redeemable, Non-Convertible Debenture on a private placement Basis:
 - a) 45,769 (Forty-Five Thousand and Seven hundred and sixty-nine only) Secured, Redeemable, Non-Convertible Debenture of face value of Rs 10,00,000/- (Rupees ten lakh only) each aggregating to Rs 4,576.90 Crore (Rupees Four Thousand Five hundred Seventy Six crore and ninety lakh only) in various tranches.
 - b) 6,375 (Six Thousand Three hundred and Seventy Five only) Unsecured, Redeemable, Non-Convertible Debenture of face value of Rs 10,00,000/- (Rupees ten lakh only) each aggregating to Rs 637.50 Crore (Rupees Six Hundred Thirty Seven Crore and Fifty Lakh only) in various tranches.
4. The Company had filed a petition with the Hon'ble High Court of Judicature at Ahmedabad on 01st October 2016 to obtain sanction to the Scheme of Arrangement, inter alia, proposing demerger of the Wealth Management Undertaking of Aditya Birla Money Mart Limited (hereinafter referred to as "ABMML") and merger of the same with the Company. The appointed date of the said Arrangement is 01st April 2016 and has become effective from 31st December 2016. The Hon'ble High Court of Judicature at Ahmedabad on 24th November 2016 approved the said Scheme of Arrangement of merger of Wealth Management Undertaking of ABMML with the Company.
5. The Company had allotted equity shares in the ratio of 3 (Three) equity shares in the Company of face value Rs. 10 (Rupees Ten Only) each credited as fully paid-up to each shareholder of ABMML for every 8 (Eight) equity shares of face value Rs.10 (Rupees Ten Only) each fully paid up held by such shareholder in ABMML and 1 (One) equity share in the Company of face value Rs. 10 (Rupees Ten Only) each credited as fully paid-up to each preference shareholder of ABMML for every 36 (Thirty Six) 0.01% redeemable Non-convertible cumulative preference shares of face value Rs.10 (Rupees Ten Only) each fully paid up, on the same terms and conditions. The Company has issued 1,02,77,778 (One crore two lakh seventy

seven thousand seven hundred seventy eight) equity shares to its Holding Company for the said Arrangement.

6. 17,50,00,000 (Seventeen crore fifty lakh) 0.01% Compulsorily Convertible Cumulative Preference shares of the face value of Rs 10/- (Rupees ten only) each converted into 1,15,13,158 (One crore fifteen lakh thirteen thousand one hundred fifty eight) fully paid up equity shares of Rs.10/- (Rupees ten only) each at an issue price of Rs 152/- (Rupees one hundred and fifty two only) per share on 28th July 2016.

For BNP & Associates
Company Secretaries
[Firm Regn. No. P2014MH037400]

Place: Mumbai
Date: May 8, 2017



Prakash

Prakash K. Pandya
Partner
FCS No.: 3901
C P No.: 2311

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 A

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

Our Secretarial Audit Report of even date is to be read along with this letter.

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.

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
[Firm Regn. No. P2014MH037400]

Place: Mumbai

Date: May 8, 2017



Pandya

Prakash K. Pandya
Partner
FCS No.: 3901
C P No.: 2311

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

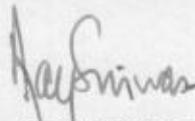
1. Details of contracts or arrangements or transactions not at arm's length basis:

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 8, 2017

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.adityabirlafinance.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 429.63 crore

4. Prescribed CSR expenditure (2% of amount as in item no. 3 above): Rs.8.59 crore

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

- a) total amount to be spent for the financial year – Rs 8.59 crore
- b) amount un-spent, if any – NA
- c) manner in which the amount spent during financial year is detailed below:

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	47,06,950	57,11,400	All expenses are incurred directly by the Company
2.	Sakhi Samudaya Kosh	Financial Literacy	Local area; Solapur Dist.	70,03,500	28,69,230	41,05,185	
3.	Asmitha	Vocational Training	Local area; Mumbai	15,75,000	5,23,800	12,34,870	
4.	DHAN foundation	Women Empowerment and sustainable livelihood	Others; Tamil Nadu	2,00,00,000	1,59,75,230	1,99,75,230	
5.	Lend-A-Hand India	Vocational Training	Local area; Pune, Maharashtra	1,07,00,000	56,66,000	88,66,000	

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*
6.	Army Central Welfare Fund	Women Empowerment & sustainable livelihood	pan India	1,50,00,000	1,50,00,000	1,50,00,000	All expenses are incurred directly by the Company
7.	Arpan	Personal Safety Education to prevent instances of child sexual abuse	Local area; Mumbai	25,00,000	25,00,000	25,00,000	
8.	Cancer Patients Aid Association	Chemotherapy of underprivileged children	Local area; Mumbai	25,00,000	25,00,000	25,00,000	
9.	Childrens Aid Society, Mumbai	To reduce inequality faced by socio economic backward group	Local area; Mankhurd, Mumbai	25,00,000	25,00,000	25,00,000	
10.	CII Foundation	Infrastructural support	Local area; Kolkata, West Bengal	50,00,000	25,00,000	25,00,000	
11.	District Welfare Fund Rotary	Health Care	Local area; Mumbai	40,00,000	40,00,000	40,00,000	
12.	Don Bosco Tech Society	Sustainable livelihood and vocational training	Others; Madhya Pradesh	1,09,00,000	60,00,000	60,00,000	
13.	Dodamarg Saptakroshi Bahuuddeshiya	Infrastructural support	Others; Sindhudurg, Maharashtra	17,00,000	433,672	22,07,344	

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*
14.	Ekam Foundation	medical aid to underprivileged children	Local area; Mumbai	25,00,000	25,00,000	25,00,000	All expenses are incurred directly by the Company
15.	Isha Education	Education	Others; Tamil Nadu	25,00,000	25,00,000	25,00,000	
16.	Lords Education & Health Society	Refurbish the existing infrastructure of PHC/SC	Others; Sawai Madhopur district of Rajasthan	53,34,400	53,34,400	53,34,400	
17.	Mazumdar Shaw Medical Foundation	Oral cancer screening and surveillance program	Others; Bengaluru	25,00,000	25,00,000	25,00,000	
18.	The Pride India	Promoting Maternal and Child Health Care	Others; Sastur, Osmanabad District, Maharashtra	57,00,000	35,24,000	35,24,000	
19.	Swabhiman A Disability Information	Education to Children with disability	Others; Odisha, Bhubaneshwar	80,00,000	19,50,000	19,50,000	
20.	Overheads incurred by Company			-	24,54,859	-	
				Total	8,59,38,141		

*Give details of implementing Agency.

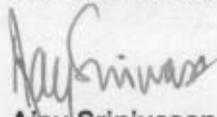
6. In case the company has failed to spend the 2% of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report

Not applicable

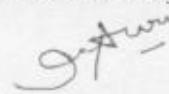
7. A responsibility statement by the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

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 8, 2017

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on March 31, 2017
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)
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	99711	98.28%

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 Financial Services Limited, Indian Rayon Compound, Veraval, Gujarat 362266	U67120GJ2007 PTC058890	Holding Company	90.23%	2(46)
2.	Aditya Birla Nuvo Limited Indian Rayon Compound, Veraval, Gujarat 362266	L17199GJ1956 PLC001107	Ultimate Holding Company	9.77%	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)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
(a) Bodies Corp.	-	-	-	-	-	-	-	-	-
(i) Indian	-	-	-	-	-	-	-	-	-
(ii) Overseas	-	-	-	-	-	-	-	-	-
(b) Individuals	-	-	-	-	-	-	-	-	-
(i) Individual shareholders holding nominal share capital upto Rs 1 lakh	-	-	-	-	-	-	-	-	-
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
(c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):- Total Public Shareholding (B)=(B)(1)+(B) (2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	105964781	453600800*	559565581	100.00	580288679	47119898*	627408577	100.00	12.12%

* 60 shares are held by individuals as nominees of ABFSL.

(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 Financial Services Limited	506109697	90.45	-	566135431	90.23	-	11.86
2.	Aditya Birla Nuvo Ltd.	52063146	9.30	-	61273146	9.77	-	17.69
3.	ABNL Investment Ltd.	1392738	0.25	-	-	-	-	100
	Total	559565581	100.00	-	627408577	100.00	-	12.12

(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
	For Each of the Top 10 Shareholders				
	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	Aditya Birla Financial Services Limited				
	At the beginning of the year	506109697	90.45	506109697	90.45
	Increase / (Decrease) in Promoters Shareholding during the Year specifying the reasons for increase / decrease –	11513158	2.02	517622855	90.64
	subscription to Rights issue,	1392738	0.24	519015593	90.88
	conversion of Compulsorily Convertible Cumulative Preference shares, pursuant to issue under merger.	10277778	1.74	529293371	89.62
		4600000	0.77	533893371	89.70
		13150000	2.16	547043371	89.93
		13486800	2.17	560530171	90.15
		5605260	0.89	566135431	90.23
	At the end of the year			566135431	90.23
2	Aditya Birla Nuvo Ltd. (ABNL)				
	At the beginning of the year	-	-	-	-
	Increase in Promoters Shareholding during the Year –				
	subscription to Rights issue	52063146	9.30	52063146	9.30
	Issued on merger of ABNL IT and ITES Ltd. with ABNL	9210000	1.59	61273146	9.77
	At the end of the year			61273146	9.77
3	ABNL Investment Ltd.				
	At the beginning of the year	1392738	0.25	1392738	0.25
	Decrease in Promoters Shareholding during the Year –				
	Transferred to ABFSL	-	-	-	-
	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
	For Each of the Directors and KMP				
	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
Indebtedness at the beginning of the financial year				
i) Principal Amount	16,38,473.76	5,02,422.81	-	21,40,896.57
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	24,486.41	15,483.87	-	39,970.28
Total (i+ii+iii)	16,62,960.17	5,17,906.68	-	21,80,866.85
Change in Indebtedness during the financial year				
Addition	15,60,886.06	35,29,149.13	-	50,90,035.19
Reduction	12,05,339.66	31,34,277.03	-	43,39,616.69
Net Change	3,55,546.40	3,94,872.10	-	7,50,418.50
Indebtedness at the end of the financial year				
i) Principal Amount	19,94,020.17	8,97,294.91	-	28,91,315.07
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	56,367.81	15,950.74	-	72,318.55
Total (i+ii+iii)	20,50,387.98	9,13,245.65	-	29,63,633.62

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	
(in Rs unless stated otherwise)				
Gross salary				
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	84,39,994	N.A.	N.A.	84,39,994
(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	NIL			NIL
Sweat Equity	NIL			NIL
Commission	NIL			NIL
- as % of profit				
- others, specify...				
Others, please specify - Variable pay	49,35,575			49,35,575
Reimbursements	3,31,664			3,31,664
Long term incentive plan	1,87,20,965			1,87,20,965
Total (A)	3,24,28,198			3,24,28,198
Ceiling as per the Act (5%)	Rs in Lakh			4,127.00

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	
	1. Independent Directors						
	• Fee for attending board / committee meetings	2,10,000	3,20,000	3,40,000	1,00,000	1,00,000	10,70,000
	• Commission	-	-	-			-
	• Others, please specify	-	-	-			-
	Total (1)	2,10,000	3,20,000	3,40,000	1,00,000	1,00,000	10,70,000
	2. Other Non-Executive Directors	-	-	-			-
	• Fee for attending board / committee meetings						
	• Commission						
	• Others, please specify						
	Total (2)	-	-	-	-	-	-
	Total (B)=(1+2)	2,10,000	3,20,000	3,40,000	1,00,000	1,00,000	10,70,000
	Total Managerial Remuneration					(A + B)	334,98,198
	Overall Ceiling as per the Act (11%)	Rs in Lakh					9,079.40

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	2,15,79,673	89,33,256	26,66,781	3,31,79,710
		NIL	NIL	NIL	NIL
		NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL	NIL
5	Others: Variable pay	2,21,78,875	49,47,198	7,27,922	278,53,995
	Long term incentive plan	8,07,22,456	2,48,30,854	NIL	10,55,53,310
	Total	12,44,81,004	3,87,11,308	33,94,703	16,65,87,015
	Ceiling as per the Act	NOT APPLICABLE			

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties / punishment / compounding of offences for year ended 31st March, 2017.

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, 2017, 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, 2017, its profit/loss, 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.
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, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, 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.



S.R. BATLIBOI & Co. LLP

Chartered Accountants

- iv. The Company has provided requisite disclosures in Note 23 (15) to these financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

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 08, 2017



S.R. BATLIBOI & Co. LLP

Chartered Accountants

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, 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, 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.
- (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:



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")

Name of the statute	Nature of dues	Amount (Rs in lacs)	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	
		53.98	AY 2002-03	
		14.91	AY 2003-04	
		9.20	AY 2004-05	
		6.39	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
		90.46	AY 2008-09	Income Tax Appellate Tribunal (ITAT)
		5.17	AY 2009-10	
		4.67	AY 2010-11	
		196.52	AY 2012-13	Commissioner of Income Tax (Appeals)
		50.41	AY 2012-13	
		47.05	AY 2013-14	
54.30	AY 2014-15			
Finance Act, 1994 (Service tax)	Service tax demand	370.51	FY 2008-09 to 2010-11	The Customs Excise and Service Tax Appellate Tribunal (CESTAT)

(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.



S.R. BATLIBOI & CO. LLP

Chartered Accountants

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 08, 2017



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 (i) 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, 2017 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

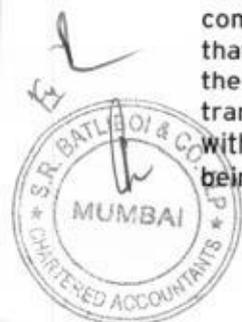
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on 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



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")

(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls 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.

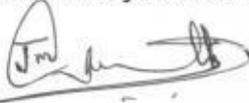
Opinion

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, 2017, 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

Mumbai, May 08, 2017



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Aditya Birla Finance Limited

Balance Sheet as at 31 March, 2017

(Currency: Rupees in Lakhs)

I. EQUITY AND LIABILITIES	Notes	As at 31 March, 2017	As at 31 March, 2016
(1) SHAREHOLDERS' FUNDS			
(a) Share Capital			
(i) Equity	1	62,740.86	55,956.56
(ii) Preference	1	1,000.00	18,500.00
(b) Reserves and Surplus	2	<u>435,391.84</u>	<u>295,123.83</u>
		499,132.70	369,580.39
(2) NON-CURRENT LIABILITIES			
(a) Long-term borrowings	3a	1,594,663.52	1,310,213.74
(b) Other Long-term liabilities	5a	15,965.60	15,483.87
(c) Long-term provisions	6a	<u>20,440.40</u>	<u>16,527.43</u>
		1,631,069.52	1,342,225.04
(3) CURRENT LIABILITIES			
(a) Short-term borrowings			
(b) Trade payables	3b	991,251.54	681,832.52
- Micro and small enterprises	4	-	-
- Other than micro and small enterprises			
(c) Other current liabilities		10,636.04	5,130.88
(d) Short-term provisions	5b	402,619.89	215,316.37
	6b	<u>7,276.20</u>	<u>8,309.68</u>
		1,411,783.67	910,589.45
Total		<u><u>3,541,985.89</u></u>	<u><u>2,622,394.88</u></u>
II. ASSETS			
(1) NON-CURRENT ASSETS			
(a) Fixed assets			
(i) Property, Plant and Equipments	7	1,390.52	955.02
(ii) Intangible assets	7	3,608.11	396.30
(iii) Intangible assets under development		661.42	711.99
(b) Non current investments	8a	6,587.02	2,760.17
(c) Deferred tax assets (Net)	9	7,678.81	7,475.06
(d) Loans and advances	10a	<u>2,452,570.54</u>	<u>1,661,107.11</u>
		2,472,496.42	1,673,405.65
(2) CURRENT ASSETS			
(a) Current investments	8b	79,420.00	46,500.00
(b) Stock of securities		58,278.52	33,020.01
(c) Trade receivables	11	1,185.82	583.69
(d) Cash and bank balances	12	13,571.83	112.46
(e) Loans and advances	10b	876,562.97	835,162.60
(f) Other current assets	13	<u>40,470.33</u>	<u>33,610.47</u>
		1,069,489.47	948,989.23
Total		<u><u>3,541,985.89</u></u>	<u><u>2,622,394.88</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



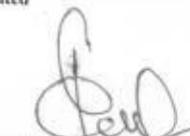
per **Jayesh Gandhi**
Partner
Membership No: 037924



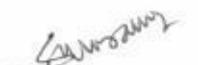
For and on behalf of the Board of Directors of
Aditya Birla Finance Limited



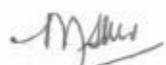
Ajay Srinivasan
(Director)
(DIN - 00121181)



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



Sanjay Miranka
(Chief Financial Officer)



Sekhar Mosur
(Manager)



Ankur Shah
(Company Secretary)

Place: Mumbai
Date: May 08, 2017

Place: Mumbai
Date: May 08, 2017



Aditya Birla Finance Limited

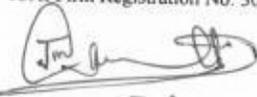
Statement of Profit and Loss for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

Particulars	Notes	Year ended 31 March, 2017	Year ended 31 March, 2016
I. Revenue from Operations	14	342,469.60	246,328.02
II. Other Income	15	196.14	2,332.41
III. Total Revenue		342,665.74	248,660.43
IV. Expenses :			
Finance costs	16	207,706.13	154,358.11
Employee benefit expenses	17	24,985.00	14,185.91
Other expenses	18	15,421.11	8,100.81
Depreciation and amortization expenses	7	1,468.88	760.11
Provisions and write - offs (Net)	19	9,891.36	8,619.88
V. Total Expenses		259,472.48	186,024.82
VI. PROFIT BEFORE TAX (III - V)		83,193.26	62,635.61
VII. Tax expenses :			
(a) Current Tax		25,069.00	23,437.00
(b) Deferred Tax Expenses / (Benefits) - (Net)		(203.75)	(1,734.99)
(c) (Excess)/ Short Provisions of Earlier years		(197.39)	73.49
VIII. PROFIT FOR THE YEAR (VI - VII)		58,525.40	40,860.11
IX. Basic and Diluted Earnings per share (Face value Rs. 10) (31 March, 2016: Face value Rs. 10)	20	10.13	8.74
		10.13	8.74
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



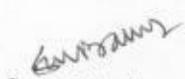
For and on behalf of the Board of Directors of
Aditya Birla Finance Limited



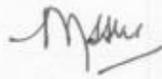
Ajay Srinivasan
(Director)
(DIN - 00121181)



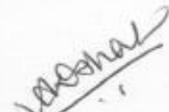
B. N. Puranmalka
(Director)
(DIN - 00007432)



Sanjay Miranka
(Chief Financial Officer)



Sekhar Mosur
(Manager)



Ankur Shah
(Company Secretary)

Place: Mumbai
Date: May 08, 2017

Place: Mumbai
Date: May 08, 2017



Aditya Birla Finance Limited

Cash Flow Statement for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

Particulars	For the year ended 31 March, 2017	For the year ended 31 March, 2016
A. Cash Flow from operating activities		
Profit before tax	83,193.26	62,635.61
<i>Adjustments for:</i>		
Depreciation / Amortisation	1,468.88	760.11
Provision for leave encashment	351.92	163.93
Provision for gratuity	395.95	108.43
Bad debts and Provision for Non-Performing Assets (Net)	3,452.05	5,205.31
Contingent provision on standard assets	4,190.65	3,272.43
General contingency provision written back	-	(1,980.93)
Provision for Premium on Investment written back	-	(336.87)
Provision for diminution on Investments (Net)	207.28	697.50
Provision for diminution on account of restructuring written back	-	(192.00)
Provision for employee benefits	(457.21)	1,564.99
Provision for Soft Accounts	2,023.00	-
(Gain)/Loss on sale of investments	(878.88)	(87.52)
Loss/(Gain) on sale of fixed assets	0.98	8.84
Dividend income	(5.56)	(8.41)
Interest income on investments	(3,449.17)	(2,068.11)
Sundry Balances written back	(55.61)	(130.86)
	7,244.28	6,976.84
Operating Profit before Working Capital changes	90,437.54	69,612.45
<i>Adjustments for:</i>		
(Increase)/decrease in Trade Receivables	(602.12)	(549.42)
(Increase)/decrease in Loans and Advances	(837,933.93)	(788,253.71)
(Increase)/decrease in Stock of Securities	(25,258.51)	13,736.68
Decrease/(increase) in Other Liabilities and Trade Payable	36,665.44	26,975.42
(Increase)/decrease in Other assets	(6,859.87)	(22,032.66)
	(833,988.99)	(770,123.69)
Cash used in Operations	(743,551.45)	(700,511.24)
Direct Taxes Paid	(26,763.66)	(22,310.13)
	(26,763.66)	(22,310.13)
Net Cash used in Operating Activities (A)	(770,315.11)	(722,821.37)
B. Cash flow from investing activities		
Purchase of property, plant and equipments	(914.03)	(553.89)
Purchase of intangible assets including assets under development	(4,053.63)	(480.79)
Purchase of investments	(83,482.32)	(48,488.26)
Sale of investments	47,407.09	2,701.30
Dividend received	5.56	8.41
Sale of tangible assets	15.63	23.93
Interest income on investments	3,449.17	2,068.11
	(37,572.53)	(44,721.19)
Net Cash used in Investing Activities (B)	(37,572.53)	(44,721.19)
C. Cash flow from financing activities		
Dividend on Preference Share and Corporate Dividend Tax	(98.39)	(7.20)
Proceeds from borrowings (Net)	750,418.49	681,525.27
Proceeds from issue of Equity Share Capital	5,632.98	5,575.00
Share Premium on proceeds from issue of Equity Share Capital	65,393.93	64,670.00
	821,347.01	751,763.06
Net Cash from Financing Activities (C)	821,347.01	751,763.06



Aditya Birla Finance Limited

Cash Flow Statement for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

Particulars	For the year ended 31 March, 2017	For the year ended 31 March, 2016
Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)		
Cash and Cash Equivalents at the beginning of the year	13,459.37	(15,779.50)
Cash and Cash Equivalents at the end of the year	112.46	15,891.96
	13,571.83	112.46
Note to Cash Flow Statement		
Components of Cash and Cash Equivalents		
Cash in hand	-	-
Balances with Banks in Current Accounts	13,571.83	112.46
	13,571.83	112.46
Summary of significant accounting policies		

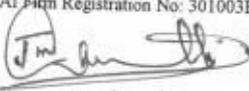
22

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

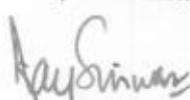


Place: Mumbai

Date: May 08, 2017



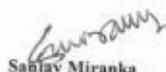
For and on behalf of the Board of Directors of
Aditya Birla Finance Limited



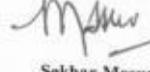
Ajay Srinivasan
(Director)
(DIN - 00121181)



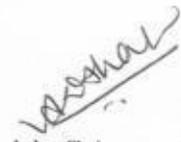
B. N. Puranmalka
(Director)
(DIN - 00007432)



Sanjay Miranka
(Chief Financial Officer)



Sekhar Mosur
(Manager)



Ankur Shah
(Company Secretary)

Place: Mumbai

Date: May 08, 2017

Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

	As at 31 March, 2017	As at 31 March, 2016
I. Share Capital		
Authorised Shares		
1,270,000,000 (31 March, 2016: 1,270,000,000) equity shares of Rs 10 each	127,000.00	127,000.00
1,010,000,000 (31 March, 2016: 1,010,000,000) preference shares of Rs 10 each	101,000.00	101,000.00
	<u>228,000.00</u>	<u>228,000.00</u>
Issued, Subscribed and Fully Paid up Shares		
Equity Share Capital		
627,408,577 (31 March, 2016: 559,565,581) equity shares of Rs 10 each, fully paid up	62,740.86	55,956.56
	<u>62,740.86</u>	<u>55,956.56</u>
Preference Share Capital		
Nil (31 March, 2016: 75,000,000) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs 10 each, fully paid up	-	7,500.00
Nil (31 March, 2016: 100,000,000) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs 10 each, fully paid up	-	10,000.00
10,000,000 (31 March, 2016: 10,000,000) 8% Cumulative Redeemable Preference Shares of Rs 10 each, fully paid up*	1,000.00	1,000.00
	<u>1,000.00</u>	<u>18,500.00</u>

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

Description	31 March, 2017		31 March, 2016	
	Number	Rs in lakhs	Number	Rs in lakhs
I) Equity Share				
Number of Shares outstanding at the beginning of the year	559,565,581	55,956.56	450,359,698	45,035.97
Number of Shares issued during the year (Refer note D (i), (ii) and (iii))	67,842,996	6,784.30	109,205,883	10,920.59
Number of Shares outstanding at the end of the year	<u>627,408,577</u>	<u>62,740.86</u>	<u>559,565,581</u>	<u>55,956.56</u>
II) 0.01% Compulsory Convertible Cumulative Preference Shares				
Number of Shares outstanding at the beginning of the year	175,000,000	17,500.00	600,000,000	60,000.00
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 cancelled on account of merger (Refer note D (iii))	-	-	(425,000,000)	(42,500.00)
Number of Shares outstanding at the end of the year	<u>-</u>	<u>-</u>	<u>175,000,000</u>	<u>17,500.00</u>
III) 8% Cumulative Redeemable Preference Shares				
Number of Shares outstanding at the beginning of the year	10,000,000	1,000.00	-	-
Number of Shares issued on account of merger (Refer note D (iv))	-	-	10,000,000	1,000.00
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>

B) Term/right attached to equity shares

The Company has only one class of equity shares having a face value of Rs. 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 Rs. 10 each fully paid up (31 March, 2016, 10,000,000) are redeemable at face value on or after March 25, 2019 but before March 25, 2029.



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

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

	31 March, 2017	31 March, 2016
(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(1)(i)).	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	-
(iii) Equity shares of Rs 10 each, fully paid up allotted on merger of Madura Garments Lifestyle Retail Company Limited (MGLRCL) (Refer note 23 (11) (ii)).	-	53,455,883
(iv) 8% Cumulative Redeemable Preference shares of Rs 10 each, fully paid up allotted on merger of MGLRCL. (Refer note 23 (11) (ii)).	-	10,000,000

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

Name of Share Holder	31 March, 2017		31 March, 2016	
	Number	Rs in lakhs	Number	Rs in lakhs
I) Equity Share				
(i) Aditya Birla Financial Services Limited, holding company	566,135,371	56,613.54	506,109,697	50,610.97
(ii) ABNL Investment Limited, fellow subsidiary company	-	-	1,392,738	139.27
(iii) Aditya Birla Nuvo Limited, ultimate holding company	61,273,146	6,127.32	52,063,146	5,206.32
II) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs.10 each, fully paid up				
Aditya Birla Financial Services Limited, holding company	-	-	175,000,000	17,500.00
III) 8 % Cumulative Redeemable Preference Shares of Rs.10 each, fully paid up				
Aditya Birla Nuvo Limited, ultimate holding company	10,000,000	1,000.00	10,000,000	1,000.00

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

Name of Share Holder	31 March, 2017		31 March, 2016	
	Number	% of total paid-up equity capital	Number	% of total paid-up equity capital
I) Equity Share				
(i) Aditya Birla Financial Services Limited, holding company	566,135,371	90.23%	506,109,697	90.45%
(ii) Aditya Birla Nuvo Limited, ultimate holding company	61,273,146	9.77%	52,063,146	9.30%
II) 0.01% Compulsory Convertible Cumulative Preference Shares of Rs.10 each, fully paid up				
Aditya Birla Financial Services Limited, holding company	-	-	175,000,000	100.00%
III) 8% Cumulative Redeemable Preference Shares of Rs.10 each, fully paid up				
Aditya Birla Nuvo Limited, ultimate holding company	10,000,000	100.00%	10,000,000	100.00%

G) Proposed Dividend*

(i) Proposed dividend on 10,000,000 8% CRPS of Rs.10 each, fully paid up	31 March, 2017
	80.57

(ii) Dividend Distribution Tax on proposed dividend

16.40

96.97

* Refer significant accounting policies 22 (3) (ii)



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

	As at 31 March, 2017	As at 31 March, 2016
2. Reserves and Surplus		
(I) Special Reserve *		
Opening Balance	22,480.00	14,300.00
Addition: Amount transferred from surplus balance in the Statement of Profit and Loss	11,710.00	8,180.00
Closing Balance	<u>34,190.00</u>	<u>22,480.00</u>
(II) Share Premium Account		
Opening Balance	192,371.25	85,059.04
Addition on account of shares issued during the year	81,742.61	64,670.00
Addition on account of merger	-	42,642.21
Closing Balance	<u>274,113.86</u>	<u>192,371.25</u>
(III) General Reserve		
General Reserve on account of merger	13,660.95	13,660.95
	<u>13,660.95</u>	<u>13,660.95</u>
(IV) Surplus as per statement of Profit and Loss		
Opening Balance	66,611.63	54,088.44
<u>Addition</u>		
Profit for the year	58,525.40	40,860.11
<u>Less: Appropriation</u>		
Transfer to Special Reserve	11,710.00	8,180.00
Dividend on Preference Shares	-	81.75
Tax on Dividend	-	16.82
Loss on account of merger	-	20,062.60
<u>Add: Appropriation</u>		
Dividend on Preference Shares on account of merger	-	4.25
Closing Balance	<u>113,427.03</u>	<u>66,611.63</u>
	<u><u>435,391.84</u></u>	<u><u>295,123.83</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, 2017

(Currency: Rupees in Lakhs)

	As at 31 March, 2017	As at 31 March, 2016
3a. Long-Term Borrowings		
Secured		
Redeemable Non Convertible Debentures	770,390.00	513,100.00
Term Loan from Banks	688,474.39	727,463.74
	<u>1,458,864.39</u>	<u>1,240,563.74</u>
Unsecured		
Subordinate Debts - Debentures	133,400.00	69,650.00
Compulsory Convertible Debentures	2,399.13	-
	<u>135,799.13</u>	<u>69,650.00</u>
	<u>1,594,663.52</u>	<u>1,310,213.74</u>
3b. Short-Term Borrowings		
Secured		
Term Loan / Demand Loan from Banks	104,500.00	22,000.00
Loan repayable on demand from Banks (Cash Credit)	125,255.77	227,059.71
	<u>229,755.77</u>	<u>249,059.71</u>
Unsecured		
Term Loan / Demand Loan from Banks	20,000.00	20,000.00
Commercial Papers*	741,495.77	412,772.81
	<u>761,495.77</u>	<u>432,772.81</u>
	<u>991,251.54</u>	<u>681,832.52</u>

* Commercial papers shown net of unamortised discounting charges Rs. 8,504.17 lakhs (31 March, 2016 Rs. 4,727.19 lakhs).



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

	2017		2016	
	Current	Non Current	Current	Non Current
I) Secured Long Term Borrowings				
"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 8.15 % to 9.40 % p.a.	105,000.00	-	63,330.31	-
Repayment Terms : Maturing between 1 to 3 years, Rate of Interest 7.75 % to 9.52 % p.a.	-	341,724.39	-	493,814.54
Repayment Terms : Maturing after 3 years, Rate of Interest 8.15 % to 8.95 % p.a.	-	346,750.00	-	233,649.20
Debentures Secured by way of mortgage of the immovable property and first pari- passu charge on current assets of the Company:				
Repayment Terms : Maturing within 1 year, Rate of Interest 8.20 % to 10.07 % p.a.	200,400.00	-	85,520.00	-
Repayment Terms : Maturing between 1 to 3 years, Rate of Interest 7.60 % to 10.15 % p.a.	-	528,240.00	-	324,050.00
Repayment Terms : Maturing after 3 years, Rate of Interest 7.70 % to 9.15 % p.a.	-	242,150.00	-	189,050.00
	<u>305,400.00</u>	<u>1,458,864.39</u>	<u>148,850.31</u>	<u>1,240,563.74</u>
II) Unsecured Long term Borrowing				
Subordinate Debts - Debentures 8.25 % to 10.60 % p.a. (Redeemable from May, 2019 to March, 2027)				
	-	133,400.00	-	69,650.00
0.10% Compulsory Convertible Debentures (Convertible in March, 2023)	-	2,399.13	-	-
	-	<u>135,799.13</u>	-	<u>69,650.00</u>
	<u>305,400.00</u>	<u>1,594,663.52</u>	<u>148,850.31</u>	<u>1,310,213.74</u>
III) Secured Short Term Borrowings				
Cash Credit secured by way of first pari-passu charge on receivables of the Company				
	125,255.77	-	227,059.71	-
Working Capital Demand Loan secured by way of first pari-passu charge on receivables of the Company - Rate of Interest 7.67% to 9.25 % p.a.				
	104,500.00	-	22,000.00	-
IV) Unsecured Short Term Borrowings				
Demand Loan from Banks - Rate of Interest 9.25% to 9.50 % p.a.				
	20,000.00	-	20,000.00	-
Commercial Papers - Rate of Interest 6.52 % to 7.30 % p.a.				
	741,495.77	-	412,772.81	-
	<u>991,251.55</u>	-	<u>681,832.52</u>	-



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

As at
31 March, 2017 As at
31 March, 2016

4. Trade Payables

Other than micro and small enterprises

Trade payables

Trade payables for salaries, bonus and other employee benefits

6,357.50 2,591.00

4,278.54 2,539.88

10,636.04 5,130.88

5a. Other Long Term Liabilities

Interest accrued

Income received in advance

15,950.74 15,483.87

14.86 -

15,965.60 15,483.87

5b. Other Current Liabilities

Current maturities of Long Term Borrowings (Refer note 3a (I))

Current maturities of Redeemable Non Convertible Debentures (Refer note 3a (I))

Interest accrued on Borrowings

Book Overdraft

Income received in advance

Others

TDS Payable

Service Tax Payable

Other Statutory dues payable

Margin Money from Customers

Other Payable

105,000.00 63,330.31

200,400.00 85,520.00

56,367.81 24,486.41

36,527.16 39,480.02

807.25 730.80

199.91 232.50

4.20 5.99

104.39 89.24

226.76 190.57

2,982.41 1,250.53

402,619.89 215,316.37

6a. Long Term Provisions

Provision for Employee benefits

Other Provisions

Contingent Provision against Standard Assets

Provision for Doubtful Debts and Advances

Provision for Soft Accounts

1,240.72 1,449.49

8,517.02 4,934.39

8,659.66 10,143.55

2,023.00 -

20,440.40 16,527.43

6b. Short Term Provisions

Provision for Employee benefits

Provision for Leave Benefits

Provision for Gratuity (Refer note 23 (5))

Other Provisions

Contingent Provision against Standard Assets

Proposed Dividend on Preference Shares

Provision for Corporate Dividend Tax

Provision for Income Tax (Net of advance tax Rs. 48,180.06 lakhs

31 March, 2016 Rs. 21,068.52 lakhs)

2,236.51 2,484.95

907.59 555.67

598.03 202.08

3,208.13 2,600.11

- 81.75

- 16.64

325.94 2,368.48

7,276.20 8,309.68



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)
for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

Note 7
Property, Plant & Equipments

Gross Block	Building		Plant & Equipments		Furniture & Fixtures		Vehicles		Office Equipments		Leasehold Improvements		Total		
	As at 1 April, 2015	Additions	Deletions/Adjustment	As at 31 March, 2016	Additions	Deletions/Adjustment	As at 31 March, 2017	As at 1 April, 2015	Additions	Deletions/Adjustment	As at 31 March, 2017	As at 1 April, 2015		Additions	Deletions/Adjustment
As at 1 April, 2015	26.27	697.12	106.19	211.09	168.17	536.93	1,745.77								
Additions	-	259.96	16.26	166.76	58.55	64.04	565.57								
Deletions/Adjustment	-	0.50	-	57.37	0.10	0.10	58.87								
As at 31 March, 2016	26.27	956.58	122.45	320.48	226.62	600.87	2,353.27								
Acquisition from Merger (Refer note 23 (11) (i))	-	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	639.59	3,424.32								
Accumulated Depreciation															
As at 1 April, 2015	4.43	396.60	62.43	67.18	100.67	325.93	957.24								
For the year	0.46	137.45	26.49	46.93	39.11	115.86	366.30								
Deletions/Adjustment	-	0.25	-	24.86	0.08	0.10	25.29								
As at 31 March, 2016	4.89	533.80	88.92	89.25	139.70	441.69	1,298.25								
Acquisition from Merger (Refer note 23 (11) (i))	-	205.31	113.66	0.30	110.24	143.17	573.70								
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								
Net block as at 31 March, 2017	20.92	761.03	29.82	404.46	114.22	60.07	1,390.52								
Net block as at 31 March, 2016	21.38	422.78	33.53	211.23	86.92	159.18	955.02								

Notes:

- 1) Redeemable Non Convertible Debentures are secured by charge on immovable property of the Company.
- 2) Office Equipments include Gross Assets amounting to Rs 2.19 lakhs (31 March, 2016: Rs 2.19 lakhs) held jointly with Birla Sun Life Insurance Company Limited.



Gross Block	Goodwill		Trade Names and Other Business Rights		Software	Total
	As at 1 April, 2015	Additions	Deletions/Adjustment	As at 31 March, 2016		
As at 1 April, 2015	-	-	-	-	1,449.12	1,449.12
Additions	-	-	-	-	295.50	295.50
Deletions/Adjustment	-	-	-	-	-	-
As at 31 March, 2016	-	-	-	-	1,744.62	1,744.62
Acquisition from Merger (Refer note 23 (11) (i))	-	-	-	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	6,506.45
Accumulated Depreciation						
As at 1 April, 2015	-	-	-	-	954.51	954.51
For the year	-	-	-	-	393.81	393.81
Deletions/Adjustment	-	-	-	-	-	-
As at 31 March, 2016	-	-	-	-	1,348.32	1,348.32
Acquisition from Merger (Refer note 23 (11) (i))	-	-	-	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	2,892.34
Net block as at 31 March, 2017	-	2,036.42	-	-	1,571.69	3,608.11
Net block as at 31 March, 2016	-	-	-	-	396.30	396.30

Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

As at
31 March, 2017

As at
31 March, 2016

8a. Non Current Investments

Long Term, Fully Paid up	Face value (Rs)	Numbers	Rs in lakhs	Numbers	Rs in lakhs
(A) Equity Shares					
Trade Investment					
Quoted					
HDFC Bank Limited	2	1,300	0.04	1,300	0.04
MOIL Limited	10	12,245	45.92	12,245	45.92
Unquoted					
Birla Management Centre Services Limited	10	2,000	0.20	2,000	0.20
(B) Preference Shares					
Non Trade Investment					
Unquoted					
Share Microfin Limited					
0.001 % Optionally Convertible Cumulative Redeemable Preference Shares	10	9,572,750	957.28	9,854,834	985.48
(C) Others					
Non Trade Investment					
Unquoted					
PMS Investment			500.00		500.00
Investment in Alternate Fund			6,062.32		2,000.00
Total (A+B+C)			<u>7,565.76</u>		<u>3,531.64</u>
Less: Provision for diminution on investments			(978.74)		(771.47)
			<u>6,587.02</u>		<u>2,760.17</u>
i) Aggregate amount of Quoted Investments			45.96		45.96
ii) Aggregate amount of Unquoted Investments			6,541.06		2,714.21
iii) Aggregate market value of Quoted Investments			57.19		40.55
iv) Aggregate market value of PMS Investments			1,253.18		974.63
v) Aggregate provision for diminution in value of investments Rs. 978.74 lakhs (31 March, 2016 : Rs. 771.47 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, 2017

(Currency: Rupees in Lakhs)

As at
31 March, 2017

As at
31 March, 2016

8b. Current Investments

Non Convertible Debentures	Face value (Rs)	Numbers	Rs in lakhs	Numbers	Rs in lakhs
Unquoted					
Mahindra Worldcity Jaipur Limited	1,000,000	-	-	1,650	16,500.00
AU Financiers (India) Limited	1,000,000	-	-	1,000	10,000.00
Dalmia Cement Bharat Limited	1,000,000	-	-	1,000	10,000.00
KKR Financial Services Private Limited	10,000,000	100	10,000.00	50	5,000.00
Indiabulls Housing Finance Company Limited	1,000,000	-	-	500	5,000.00
Vijaya Bank	1,000,000	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	-	-
Bank of Baroda	1,000,000	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	-	-
			<u>79,420.00</u>		<u>46,500.00</u>
i) Aggregate amount of Unquoted Investments			79,420.00		46,500.00
ii) Aggregate amount of Quoted Investments			-		-
iii) Aggregate market value of Quoted Investments			-		-
iv) Aggregate provision for diminution in value of investments Rs. Nil (31 March, 2016 : Rs. 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, 2017

(Currency: Rupees in Lakhs)

	As at 31 March, 2017	As at 31 March, 2016
9. Deferred Tax Assets (Net)		
Deferred Tax Assets		
Depreciation	-	22.64
Provision for Doubtful Debts	1,752.98	3,510.48
Contingent Provisions against Standard Assets	4,057.84	2,607.54
Other Provisions	1,928.24	1,334.40
Deferred Tax Liabilities		
Depreciation	(60.25)	-
	<u>7,678.81</u>	<u>7,475.06</u>
10a. Long-Term Loans and Advances		
a. Secured, considered good		
Loans	<u>2,060,317.45</u>	<u>1,509,326.02</u>
	2,060,317.45	1,509,326.02
b. Unsecured, considered good		
(i) Loans	375,134.11	135,682.42
(ii) Other Advances		
- Security Deposits	1,204.26	347.68
- Prepaid Expenses	149.62	17.32
- Capital Advances	46.77	16.36
	<u>376,534.76</u>	<u>136,063.78</u>
c. Doubtful*		
Loans	<u>15,718.33</u>	<u>15,717.31</u>
	15,718.33	15,717.31
	<u>2,452,570.54</u>	<u>1,661,107.11</u>
* 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>635,834.39</u>	<u>560,354.47</u>
	635,834.39	560,354.47
b. Unsecured, considered good		
(i) Loans	238,125.17	272,742.80
(ii) Other Advances		
- Loans and Advances to Related Parties	243.87	28.33
- Security Deposits	90.52	290.01
- Prepaid Expenses	707.38	372.15
- Service Tax Input Credit Receivable	272.15	12.75
- Advance Income Taxes (Net of provision for taxation Rs. 38,947.00 lakhs 31 March, 2016 : Rs 26,520.00 lakhs)	891.54	1,042.03
- Others Advances	397.95	320.06
	<u>240,728.58</u>	<u>274,808.13</u>
	<u>876,562.97</u>	<u>835,162.60</u>



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

	As at 31 March, 2017	As at 31 March, 2016
11. Trade Receivables		
Outstanding for a period exceeding six months		
Doubtful	60.05	-
Less: Provision for Doubtful Debts	<u>(60.05)</u>	<u>-</u>
Other Receivables		
Secured, considered good	185.17	583.69
Unsecured, considered good	1,000.65	-
Doubtful	12.81	-
Less: Provision for Doubtful Debts	<u>(12.81)</u>	<u>-</u>
	<u>1,185.82</u>	<u>583.69</u>
	<u>1,185.82</u>	<u>583.69</u>
12. Cash and Bank Balances		
Cash and Cash Equivalent		
Balances with Banks in Current Accounts	13,571.83	112.46
	<u>13,571.83</u>	<u>112.46</u>
13. Other Current Assets		
Other receivables	86.59	35.21
Interest Accrued but not due/Interest Receivable	40,383.74	33,575.26
	<u>40,470.33</u>	<u>33,610.47</u>



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

	Year ended 31 March, 2017	Year ended 31 March, 2016
14. Revenue From Operations		
<u>Interest Income on</u>		
Loans	309,602.63	229,093.00
Investments	3,830.87	2,148.01
Stock of Securities	4,708.54	3,137.66
	<u>318,142.04</u>	<u>234,378.67</u>
<u>Other Financial Income</u>		
Gain on sale of Investments (Net)	878.88	87.53
Gain on Stock of Securities (Net)	2,088.22	1,462.33
Syndication and Other Fee Income	15,465.09	10,391.08
Brokerage and Commission Income	5,889.81	-
Dividend Income on Investments	5.56	8.41
	<u>24,327.56</u>	<u>11,949.35</u>
	<u>342,469.60</u>	<u>246,328.02</u>
15. Other Income		
Provision for diminution on account of restructuring written back	-	192.00
General Contingency Provision written back	-	1,980.93
Miscellaneous Income	196.14	159.48
	<u>196.14</u>	<u>2,332.41</u>
16. Finance Costs		
Interest Expenses	161,324.58	124,411.84
Discounting charges on Commercial Paper	45,540.88	29,439.06
Other Borrowing Costs	840.67	507.21
	<u>207,706.13</u>	<u>154,358.11</u>
17. Employee Benefit Expenses		
Salaries, Bonus and Allowances	22,990.35	12,925.50
Contribution to Provident and Other Funds	1,062.15	580.91
Staff Welfare Expenses	932.50	679.50
	<u>24,985.00</u>	<u>14,185.91</u>



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

Year ended
31 March, 2017

Year ended
31 March, 2016

18. Other Expenses

Rent	1,860.28	1,028.97
Travelling and Conveyance	1,560.97	916.93
Water and Electricity	249.53	109.67
Repairs and Maintenance:		
Plant and Machinery	6.54	2.00
Others	743.28	367.32
Insurance	254.49	189.01
Communication Expenses	277.65	162.34
Legal and Professional Charges	2,323.12	1,430.27
Loss on Sale of Fixed Assets (Net)	0.98	8.84
Rates and Taxes	754.28	497.53
Printing and Stationery	195.56	108.62
Contract Service Charges	217.58	140.28
Information Technology Expenses	475.25	250.87
Business / Sales Promotion Expenses	413.00	329.92
Advertisement Expenses	420.14	380.85
Postage Expenses	67.84	44.67
Bank Charges	97.10	144.75
Brokerage and Commission	2,828.88	1,416.66
Corporate Social Responsibility (CSR) Expenses	859.38	314.15
Sub-Brokerage and Fees	1,165.48	-
Miscellaneous Expenses	649.78	257.16
	<u>15,421.11</u>	<u>8,100.81</u>

19. Provisions and Write - offs (Net)

Bad debts/Advances Written off	4,946.42	2,523.95
Investments Written off	-	52.50
Provision for Doubtful Debts and Advances	3,594.41	5,074.50
Provision for Doubtful Debts written back	(5,088.77)	(2,445.64)
Provision for Diminution in value of Stock of Securities	22.08	3.71
Provision for Diminution in value of Investments	207.28	750.00
Provision for diminution in Investments written back	(3.71)	(274.70)
Provision for Premium on Investments written back	-	(336.87)
Contingent Provisions against Standard Assets	4,190.65	3,272.43
Provision for Soft Accounts	2,023.00	-
	<u>9,891.36</u>	<u>8,619.88</u>



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

	31 March, 2017	31 March, 2016
20. Earnings per Share		
Net Profit after Tax	58,525.40	40,860.11
Less: Dividend on Preference Shares (including Corporate Dividend Tax)	96.97	98.57
Net Profit after Tax available for equity shareholders	58,428.43	40,761.54
Weighted average number of equity shares outstanding (Numbers)	576,932,519	466,205,849
Basic and Diluted Earnings per share (Rs.)	<u>10.13</u>	<u>8.74</u>



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees 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, 2017		31 March, 2016	
		Amount out-standing	Amount overdue	Amount out-standing	Amount overdue
Liabilities side :					
1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
	(a) Debentures : Secured (including interest accrued but not due of Rs. 58,264.64 lakhs, 31 March, 2016 : 34,009.00 lakhs)	1,029,054.64	-	632,629.00	-
	: Unsecured (including interest accrued but not due of Rs. 5,991.80 lakhs, 31 March, 2016 : 3,093.36 lakhs) (other than falling within the meaning of public deposits*)	141,790.93	-	72,743.36	-
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans (including interest accrued but not due of Rs. 8,062.38 lakhs, 31 March, 2016 : 2,867.93 lakhs)	926,036.77	-	835,661.98	-
	(d) Inter-corporate loans and borrowing (including interest accrued but not due of Rs. Nil)	-	-	-	-
	(e) Commercial Paper	741,495.77	-	412,772.81	-
	(f) Other Loans (Cash Credit)	125,255.77	-	227,059.71	-
		2,963,633.88	-	2,180,866.86	-
* Please see Note 1 below					
Assets side :					
2)	Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :				
	(a) Secured :	2,696,151.84		2,069,680.50	
	(b) Unsecured :	629,221.49		424,170.84	
	(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)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities :				
	(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	-		-	
		3,325,373.33		2,493,851.34	



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

21A. Continued

<u>Assets side :</u>	31 March, 2017 Amount out-standing	31 March, 2016 Amount out-standing
4) Break-up of Investments :		
1. Quoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (Commercial Paper)	-	-
2. Unquoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	79,420.00	46,500.00
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (Commercial Paper)	-	-
Long Term investments :		
1. Quoted :		
(i) Shares : (a) Equity	24.49	24.49
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (Please specify)	-	-
2. Unquoted :		
(i) Shares : (a) Equity	0.20	0.20
(b) Preference	-	235.48
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (PMS and Alternate Fund)	6,562.33	2,500.00

5) Borrower group-wise classification of assets financed as in (2) and (3) above :

Please see Note 2 below

Category	31 March, 2017			31 March, 2016		
	Net of Provisions			Net of Provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1) Related Parties**						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	41,622.56	15,000.00	56,622.56	23,424.81	31,678.99	55,103.80
(c) Other related parties	-	243.87	243.87	-	28.33	28.33
2) Other than related parties	2,654,529.28	613,977.62	3,268,506.90	2,046,255.69	392,463.52	2,438,719.21
	<u>2,696,151.84</u>	<u>629,221.49</u>	<u>3,325,373.33</u>	<u>2,069,680.50</u>	<u>424,170.84</u>	<u>2,493,851.34</u>



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

21A. Continued

Category	31 March, 2017		31 March, 2016	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value / Break up or fair value or	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	87,015.12	86,007.02	49,840.85	49,260.17
	87,015.12	86,007.02	49,840.85	49,260.17
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 :	31 March, 2017		31 March, 2016	
(a) Related parties	-		-	
(b) Other than related parties	15,718.33		15,717.31	
(ii) Net Non-Performing Assets :				
(a) Related parties	-		-	
(b) Other than related parties	7,069.14		5,573.76	
(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.



Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

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* (%)	17.33	16.15
(ii)	CRAR - Tier I capital (%)	13.69	13.64
(iii)	CRAR - Tier II Capital (%)	3.64	2.51
(iv)	Amount of subordinated debt raised as Tier-II capital (Rs.in Crores)	1334.00	696.50
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

* 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 40% value.

b) Unsecured Advances

Sr. No.	Particulars	(Rs.in Crores)	
		Current Year	Previous Year
(i)	Unsecured Advances (Inclusive of doubtful advances)	6,292.21	4,241.71

c) Exposures

c.i) Exposure to Real Estate Sector

Category		(Rs.in Crores)	
		Current Year	Previous Year
Direct exposure			
i)	Residential Mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	1,095.32	312.67
ii)	Commercial Real Estate 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;	6,016.13	5,733.54
iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
	a. Residential	Nil	Nil
	b. Commercial Real Estate	Nil	Nil
Total Exposure to Real Estate Sector		7,111.45	6,046.21



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

21B. Continued

c.ii) Exposure to Capital Market

		(Rs.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;	397.06	334.29
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;	98.70	30.48
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;	4,669.16	4,591.31
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;	183.73	267.12
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)	-	-
Total Exposure to Capital Market		5,348.65	5,223.20

c.iii) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities

Particulars	(Rs.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	0.39	-	0.21	-	0.30	4.97	4.43	2.64	12.95
Advances**	3,649.40	774.30	702.86	1,130.89	2,625.17	8,403.97	5,934.15	10,014.39	33,235.13
Investments	117.50	207.00	194.70	225.00	50.00	-	-	65.87	860.07
Borrowings*	4,845.54	2,327.63	2,160.82	160.00	3,179.03	8,493.14	5,963.00	1,783.99	28,913.15
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

* Net of Unamortized Discounting charges on Commercial Paper amounting to Rs. 85.04 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, 2017

(Currency: Rupees 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

As per the requirements of pre-revised Accounting Standard (AS) 4, the Company used to create a liability for dividend proposed/ declared after the balance sheet date if dividend related to periods covered by the financial statements. Going forward, as per AS 4(R), the Company cannot create provision for dividend proposed/ declared after the balance sheet date unless a statute requires otherwise. The Company need to disclose the same in notes to the financial statements.

Accordingly, the Company has disclosed dividend proposed by Board of Directors after the balance sheet date in the notes.

Had the Company continued with creation of provision for proposed dividend, its surplus in the statement of profit and loss account would have been lower by Rs. 96.97 lakhs and current provision would have been higher by Rs. 96.97 lakhs (including dividend distribution tax of Rs. 16.40 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, 2017
(Currency: Rupees 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. Plant, property 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, 2017
(Currency: Rupees 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. 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 four 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, 2017

(Currency: Rupees 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 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, 2017

(Currency: Rupees 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 thereon 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 revised its recognition norms of Non-Performing Assets (NPA) from five months to four months and increased provisions on standard assets from 0.30% to 0.35%. Had the Company continued to use the earlier policy of classification of NPA and provision for standard assets, provisions and write offs for the year ended 31 March, 2017 would have been lower by Rs.1,691.02 lakhs and profit before tax would have been higher by Rs.1,691.02 lakhs (net of tax Rs. 1,105.79 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.

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, 2017

(Currency: Rupees 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) Rs. 6,617.01 lakhs (31 March, 2016 Rs. 576.70 lakhs).

2. Contingent Liabilities not provided for

Particulars	31 March, 2017	31 March, 2016
Disputed Income Tax Liability*		
Disputed Service Tax Liability**	831.04	217.60
Claims against the Company not acknowledged as debts***	370.51	120.44
Corporate guarantees given by the Company on behalf of the clients	512.00	812.00
Letter of comfort given by the Company on behalf of clients	3,270.77	588.15
	13,311.23	24,472.00

* Disputed Income Tax Liability

Particulars	31 March, 2017	31 March, 2016
Disallowances of Depreciation on Intangibles, Disallowance of Expenses, Disallowance under Section 14A, Disallowance of Dividend under Section 10(33)		
Interest on Non Performing Assets (NPA)	630.72	71.58
Disallowance of Leave Encashment under Section 43B	151.76	97.46
	48.56	48.56

** 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 Rs. 120.44 lakhs under Rule 14 of the CENVAT Credit Rules, 2004 (hereinafter referred to as "CCR") along with interest of Rs 129.63 lakhs (as applicable) and imposition of penalties of Rs. 120.44 lakhs under the extant provisions of CCR as also the Finance Act, 1994.

*** 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 Rs. 512.00 lakhs(31 March, 2016 Rs. 812.00 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 March 31, 2017, 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, 2017 (31 March, 2016 Rs. Nil).



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees 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) Where control exists

- Aditya Birla Financial Services Limited (ABFSL) (Holding Company)
- Aditya Birla Nuvo Limited (Ultimate Holding Company)

(B) Subsidiaries / Fellow Subsidiaries

Fellow Subsidiaries

- Aditya Birla Customer Services Private Limited (ABCSP)
- 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)
- ABNL Investment Limited (ABNLIL)
- Birla Sun Life Insurance Company Limited (BSLICL)
- Birla Sun Life Asset Management Company Limited (BSAMCL)
- Madura Garments Lifestyle Retail Company Limited (MGLRCL) (upto 30 June, 2015)
- Aditya Birla Housing Finance Limited (ABHFL)
- ABNL IT & ITES Limited (upto 30 September, 2015)
- Aditya Birla Capital Advisor Limited (ABCAL)
- Aditya Birla Health Insurance Company Limited (ABHICL)
- Aditya Birla Commodity & Broking Limited (ABCBL)

(C) Key management personnel

- Mr. Sekhar Mosur



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

4.Related Party Disclosures (Continued)

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

Particulars	31 March, 2017	31 March, 2016
Brokerage expenses		
Aditya Birla Money Limited	121.80	-
Aditya Birla Money Mart Limited	-	27.78
Dividend Paid		
Aditya Birla Financial Services Limited	1.75	1.75
Aditya Birla Nuvo Limited	80.00	-
Remuneration (Refer note (d) below)		
Key Management Personnel	324.28	115.01
Reimbursement of Administrative expenses		
Aditya Birla Nuvo Limited	0.29	0.72
Aditya Birla Financial Services Limited	395.88	202.99
Aditya Birla Money Limited	66.40	63.10
Aditya Birla Customer Services Private Limited	2.82	-
Aditya Birla Money Mart Limited	0.13	-
Aditya Birla Financial Shared Services Limited	480.54	213.25
Birla Sun Life Insurance Company Limited	-	0.11
Aditya Birla Housing Finance Limited	140.32	75.88
Aditya Birla Health Insurance Company Limited	16.21	-
Interest expenses		
Birla Sun Life Insurance Company Limited	1,049.54	315.25
Reimbursement of Rent expenses		
Aditya Birla Financial Services Limited	85.34	66.15
Aditya Birla Money Limited	22.44	2.70
Aditya Birla Money Insurance Advisory Limited	183.84	-
Aditya Birla Customer Services Private Limited	7.89	-
Birla Sun Life Insurance Company Limited	241.46	231.58
Aditya Birla Money Mart Limited	-	20.46
Aditya Birla Financial Shared Services Limited	8.13	2.70
Aditya Birla Housing Finance Limited	147.12	110.38
Reimbursement of Legal and Professional expenses		
Aditya Birla Financial Services Limited	107.93	137.54
Aditya Birla Financial Shared Services Limited	124.23	43.36
Aditya Birla Housing Finance Limited	-	2.25
Reimbursement of Employee cost		
Aditya Birla Financial Services Limited	2,559.43	875.44
Aditya Birla Money Limited	656.47	-
Aditya Birla Customer Services Private Limited	11.76	-
Aditya Birla Financial Shared Services Limited	424.97	193.51
Birla Sunlife Asset Management Company Limited	18.30	26.54
Insurance Premium Paid		
Birla Sun Life Insurance Company Limited	43.78	43.68
Commission/Sub-Brokerage		
Aditya Birla Customer Services Private Limited	312.93	-



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

4. Related Party Disclosures (Continued)

Particulars	31 March, 2017	31 March, 2016
Employee cost recovered		
Aditya Birla Customer Services Private Limited	2.04	-
Aditya Birla Nuvo Limited	-	1.21
Birla Sun Life Insurance Company Limited	4.60	-
Birla Sunlife Asset Management Company Limited	9.49	-
Aditya Birla Financial Shared Services Limited	8.76	-
Legal and Professional expenses recovered		
Aditya Birla Housing Finance Limited	3.00	6.00
Brokerage Income		
Aditya Birla Money Limited	418.90	37.28
Aditya Birla Commodity & Broking Limited	3.79	-
Birla Sunlife Asset Management Company Limited	799.73	-
Aditya Birla Housing Finance Limited	1.30	-
Advertisement Income		
Aditya Birla Insurance Brokers Limited	0.75	-
Rent recovered		
Aditya Birla Money Limited	40.94	-
Aditya Birla Money Insurance Advisory Limited	25.99	-
Aditya Birla Customer Services Private Limited	0.18	-
Aditya Birla Insurance Brokers Limited	1.17	-
Birla Sunlife Asset Management Company Limited	65.19	-
Aditya Birla Money Mart Limited	0.99	-
Aditya Birla Housing Finance Limited	77.64	48.43
Interest Income		
Aditya Birla Housing Finance Limited	-	4.06
Administrative Income Recovered		
Aditya Birla Insurance Brokers Limited	3.16	3.11
Aditya Birla Housing Finance Limited	107.61	194.18
Aditya Birla Capital Advisors Limited	0.76	-
Gratuity/Leave Encashment expenses recovery from		
Aditya Birla Money Mart Limited	32.30	-
Inter Corporate Deposits Placed		
Aditya Birla Nuvo Limited	83.00	-
Repayment of Inter Corporate Deposits (ICD)		
Aditya Birla Nuvo Limited	250.94	-
Interest Expenses on Inter Corporate Borrowings		
Aditya Birla Nuvo Limited	24.98	-
Conversion of Preference Shares		
Aditya Birla Financial Services Limited	17,500.00	-
Security Deposits Received Back		
Birla Sunlife Asset Management Company Limited	29.00	-
Loan given		
Aditya Birla Housing Finance Limited	-	8360.00
Loan received back		
Aditya Birla Housing Finance Limited	-	8360.00



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

4. Related Party Disclosures (Continued)

Particulars	31 March, 2017	31 March, 2016
Sale of assets		
Birla Sun Life Insurance Company Limited	-	0.62
Aditya Birla Money Limited	1.30	-
Aditya Birla Money Insurance Advisory Limited	0.11	-
Aditya Birla Customer Services Private Limited	5.42	-
Birla Sunlife Asset Management Company Limited	3.55	-
Aditya Birla Money Mart Limited	0.14	-
Purchase of assets		
Aditya Birla Money Insurance Advisory Limited	0.63	-
Birla Sun Life Insurance Company Limited	1.13	-
Redemption of Non Convertible Debentures (NCD)		
Birla Sun Life Insurance Company Limited	-	1000.00
Issue of Non Convertible Debentures		
Birla Sun Life Insurance Company Limited	12,500.00	-
Issue of Equity Share Capital		
Aditya Birla Nuvo Limited	921.00	2779.84
ABNL Investment Limited	-	139.27
ABNL IT & ITES Limited	-	2426.47
Aditya Birla Financial Services Limited	5,863.30	5,575.00
Share Premium on issue of equity share capital		
Aditya Birla Financial Services Limited	68,664.41	64,670.00
Aditya Birla Nuvo Limited	13,078.20	-
Interest on Debentures		
Aditya Birla Financial Services Limited	2.40	-
Issue of Preference Share Capital		
Aditya Birla Nuvo Limited	-	1,000.00
Preference Share Capital Outstanding		
Aditya Birla Nuvo Limited	1,000.00	1,000.00
Aditya Birla Financial Services Limited	-	17,500.00
Equity Share Capital Outstanding		
Aditya Birla Nuvo Limited	6,127.31	2,779.84
Aditya Birla Financial Services Limited	56,613.54	50,610.97
ABNL Investment Limited	-	139.27
ABNL IT & ITES Limited	-	2,426.47
Equity Share Premium Outstanding		
Aditya Birla Nuvo Limited	13,078.20	-
Aditya Birla Financial Services Limited	218,393.44	149,729.03
Redeemable NCDs (Secured)		
Birla Sun Life Insurance Company Limited	15,000.00	2,500.00
Interest accrued on NCDs		
Birla Sun Life Insurance Company Limited	999.18	192.34



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

4.Related Party Disclosures (Continued)

Particulars	31 March, 2017	31 March, 2016
Payable		
Aditya Birla Nuvo Limited	-	0.45
Aditya Birla Financial Services Limited	1,912.70	139.31
Aditya Birla Customer Services Private Limited	190.09	-
Birla Sun Life Insurance Company Limited	22.18	25.43
Aditya Birla Money Mart Limited	-	11.42
Aditya Birla Financial Shared Services Limited	46.95	14.69
Aditya Birla Money Insurance Advisory Services Limited	20.39	0.77
Aditya Birla Housing Finance Limited	56.01	-
Aditya Birla Health Insurance Company Limited	10.82	-
Aditya Birla Money Limited	-	2.14
Debentures		
Aditya Birla Financial Services Limited	2,399.13	-
Receivable		
Aditya Birla Nuvo Limited	3.52	-
Aditya Birla Money Limited	135.71	-
Aditya Birla Commodities & Broking Limited	3.99	-
Aditya Birla Customer Services Private Limited	7.66	-
Aditya Birla Insurance Brokers Limited	0.79	-
Birla Sun Life Assets Management Company Limited	11.75	-
Aditya Birla Money Mart Limited	96.69	-
Aditya Birla Financial Shared Services Limited	15.80	-
Aditya Birla Housing Finance Limited	-	28.33
Aditya Birla Health Insurance Company Limited	258.16	-
Aditya Birla Capital Advisors Limited	0.88	-
Security Deposit Receivable		
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.



Aditya Birla Finance Limited
Notes to the Financial Statements (Continued)
for the year ended 31 March, 2017
(Currency: Rupees in Lakhs)

5. Gratuity and Other Post Employment Benefits

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

Amount recognized in the Balance Sheet in respect of gratuity (funded by the Company)		
	As at 31 March, 2017	As at 31 March, 2016
Present Value of Funded defined benefit obligation at the end of the year	1,276.48	613.57
Fair Value of Plan Assets	678.45	411.49
Net Liability/(Assets)	598.03	202.08
Amount recognized in Salary, Wages and Employee Benefits in the Statement of Profit and Loss in respect of gratuity (funded by the Company):		
Current Service Cost	165.73	121.56
Interest on Defined Benefit Obligation	60.24	43.44
Expected Return on Plan Assets	(35.45)	(29.99)
Net Actuarial Loss / (Gains) recognized during the year	179.62	67.07
Net Gratuity Cost	370.14	202.08
Actual Return on Plan assets	79.65	8.58
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Opening Defined Benefit Obligation	613.57	426.54
Current Service Cost	165.73	121.56
Interest Cost	60.24	43.44
Actuarial Losses/(Gains)	223.82	45.65
Liabilities assumed on acquisition (settled on divesture)	227.89	-
Benefit Paid	(14.77)	(23.62)
Closing Defined Benefit Obligation	1,276.48	613.57
Change in Plan Assets		
Opening Fair Value of the Plan Assets	411.49	332.88
Expected Return on Plan Assets	35.45	29.99
Actuarial Losses/(Gains)	44.20	(21.41)
Contributions by the Employer	202.08	93.65
Assets acquired on acquisition/ (distributed on divesture)	-	-
Benefit Paid	(14.77)	(23.62)
Closing Fair Value of the Plan Assets	678.45	411.49
Investment details of Plan assets		
100% of plan assets are invested with Insure Managed Funds.	-	-

Experience Adjustment	As at 31 March, 2017	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2013
Defined Benefit Obligation	1,276.48	613.57	426.54	295.00	233.12
Plan Assets	678.45	411.49	332.88	254.23	141.77
Surplus/(Deficit)	(598.03)	(202.08)	(93.66)	(40.77)	(91.35)
Experience Adjustment on Plan Liabilities	129.23	29.07	(26.49)	(0.68)	27.76
Experience Adjustment on Plan Assets	44.20	(21.41)	28.50	1.48	7.14
Discount Rate (p.a.)	7.25%	7.80%	8.00%	8.90%	7.90%
Expected Rate of return on Assets (p.a.)	7.25%	7.80%	8.50%	8.50%	8.50%



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees 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 Birla Sun Life Insurance Company Limited is Rs. 678.45 lakhs (31 March, 2016 Rs. 411.49 lakhs).

Estimated amount of contribution expected to be paid to the Gratuity Fund during the annual period after the Balance Sheet date is Rs. 100.00 lakhs (31 March, 2016 Rs. 100.00 lakhs).

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

Defined Benefit Plan

Particulars	31 March, 2017	31 March, 2016
Contribution to Company owned Provident Fund	75.26	72.26

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, 2017	31 March, 2016
i)	Contribution to Government Employees Provident Fund	444.49	243.02
ii)	Contribution to Government Employees Pension Fund	109.49	54.59
iii)	Contribution to Superannuation Fund	4.02	0.74
iv)	Contribution to Employees State Insurance Corporation	0.94	0.04
v)	Contribution to Maharashtra Labour Welfare Fund	0.10	0.01
vi)	Contribution to National Pension Scheme	1.60	-

Other Long Term Incentive Benefits

Liability for the scheme is determined based on actuarial valuation or on specified parameters. The assumptions used for valuation are:

Particulars	31 March, 2017
Discount rate	6.57% per annum
Mortality rate	Indian Assured Lives Mortality (2006-08) Ultimate
Attrition rate	10.00%

6. Details of Auditors Remuneration

Particulars	31 March, 2017	31 March, 2016
As Auditors		
For Statutory Audit (including Limited Review and Internal Control Financial Reporting (ICFR))	53.00	43.00
For Tax Audit	6.00	4.00
In Other Capacity		
For Other Services (including Certificates and IND - AS)	28.23	7.50
For Reimbursement of Expenses	4.04	1.81



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

for the year ended 31 March, 2017

(Currency: Rupees 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, 2017				31 March, 2016		
	Financing and Related Activities	Trading activities	Wealth Business	Total	Financing and Related Activities	Trading activities	Total
Segment Revenue	329,979.17	6,796.76	5,889.81	342,665.74	244,060.44	4,599.99	248,660.43
Segment Results (Profit before tax and after interest on financing segment)	82,106.76	6,770.97	(1,604.35)	87,273.38	61,239.19	4,574.68	65,813.87
Less: Interest on trading activities	-	4,080.12	-	4,080.12	-	3,178.26	3,178.26
Net profit before tax	82,106.76	2,690.85	(1,604.35)	83,193.26	61,239.19	1,396.42	62,635.61
Less: Income taxes	-	-	-	24,667.86	-	-	21,775.50
Net profit after tax	-	-	-	58,525.40	-	-	40,860.11
Other Information							
Segment Assets	3,469,746.20	58,278.52	5,390.81	3,533,415.53	2,580,857.78	33,020.01	2,613,877.79
Unallocated Corporate Assets	-	-	-	8,570.36	-	-	8,517.09
Total Assets	3,469,746.20	58,278.52	5,390.81	3,541,985.89	2,580,857.78	33,020.01	2,622,394.88
Segment Liabilities	2,987,202.93	49,682.87	5,967.39	3,042,853.19	2,224,652.15	28,162.34	2,252,814.49
Total Liabilities	2,987,202.93	49,682.87	5,967.39	3,042,853.19	2,224,652.15	28,162.34	2,252,814.49
Capital expenditure	2,161.82	-	2,805.84	4,967.66	1,034.68	-	1,034.68
Depreciation	847.28	-	621.60	1,468.88	760.11	-	760.11
Other non-cash expenses	9,578.44	-	-	9,578.44	10,456.22	-	10,456.22

9. Expenditure in Foreign Currency:

Particulars	31 March, 2017	31 March, 2016
Business / Sales Promotion / Staff Training and Seminar	55.24	50.72



Aditya Birla Finance Limited
Notes to the Financial Statements (Continued)
for the year ended 31 March, 2017
(Currency: Rupees in Lakhs)

10. CSR Expenses

CSR Expenses	31 March, 2017	31 March, 2016
Gross Amount Required to be spent during the year	859.25	540.00
Amount Spent during the year		
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	859.38	314.13

11. Merger

(i) 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'), has been 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 has been made effective and accordingly effect of the same has been given in the financial statements from the appointed date. Both ABMML and the Company are wholly owned subsidiaries of Aditya Birla Nuvo 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 is:

- (a) 3 (Three) equity shares of the face value of Rs 10/- (Rupees Ten only) each fully paid up of the Company for every 8 (Eight) equity shares of the face value of Rs 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 Rs 10/- (Rupees Ten only) each fully paid up of the Company for every 36 (Thirty Six) preference shares of the face value of Rs 10/- (Rupees Ten only) each fully paid up of ABMML to the preference shareholders of ABMML. Accordingly the Company has issued and allotted 10,277,778 equity shares of Rs 10 each, fully paid up of the Company to the shareholders of ABMML.

Based on the terms of the Scheme, the Company has acquired net liabilities of Rs 1,517.74 lakhs of the wealth management undertaking from ABMML and the consideration of Rs 1027.78 lakhs has been 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 Rs. 2,545.52 lakhs has been 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 has been set off against the taxable income of the Company during the current year in accordance with the provisions of Income Tax Act, 1961.

(ii) During previous year ended 31 March, 2016 Madura Garments Lifestyle Retail Company Limited (MGLRCL), a fellow subsidiary of the Company, was amalgamated with the Company in terms of the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 including corresponding provisions of the Companies Act, 2013, as approved by the Hon'ble High Court of Gujarat vide its order O/Comp/392/2015 dated December 21, 2015 with an appointed date of July 01, 2015. The Scheme was made effective by the Company upon filing of Form INC - 28 with the Registrar of Companies, Gujarat on January 25, 2016.

Both MGLRCL and the Company are wholly owned subsidiaries of Aditya Birla Nuvo Limited.

In accordance with the said Scheme, the assets, liabilities and reserves of MGLRCL have been accounted at the values at which they were appearing in the books of MGLRCL as at July 01, 2015 and the difference between the net assets (assets and liabilities) and reserves of MGLRCL transferred to the Company is shown in the general reserves of the Company. The amalgamation has been accounted for under the "Pooling of Interest method" as prescribed by "Accounting Standard 14 (AS-14) Accounting for Amalgamation" notified under Section 133 of the Companies Act 2013.

The consideration payable to the shareholders of MGLRCL in terms of the Scheme was:

- (a) 9 (Nine) equity shares of the face value of Rs.10/- (Rupees Ten only) each fully paid-up of the Company for every 32 (Thirty Two) equity shares of the face value of Rs.10/- (Rupees Ten only) each fully paid-up of MGLRCL to the equity shareholders of MGLRCL; and
(b) 1 (One) 8% Cumulative Redeemable Preference Shares of the face value of Rs.10/- (Rupees Ten only) each fully paid-up of the Company for every 1 (One) 8% Cumulative Redeemable Preference Shares of the face value of Rs.10/- (Rupees Ten only) each fully paid-up of MGLRCL to the preference shareholder of MGLRCL.

Accordingly, the Company has issued and allotted 53,455,883 equity shares of the face value of Rs. 10/- (Rupees Ten only) each fully paid up to the equity shareholders of MGLRCL and 10,000,000 8% Cumulative Redeemable Preference Shares of face value of Rs. 10/- (Rupees Ten only) each fully paid up to the preference shareholders of MGLRCL.

In terms of the Scheme, the Company has acquired assets having Net Book Value of Rs. 42,586.15 Lakhs as detailed hereunder:



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

Particulars	Rs. in Lakhs
Investments	42,500.00
Short term Loans and Advances	86.15
Net Book Value	42,586.15

The difference between the net book value, after adjusting reserves of MGLRCL and the Equity and Preference shares issued to shareholders of MGLRCL is charged to General Reserve, in accordance with the Scheme, as detailed hereunder.

Particulars	Rs. in Lakhs
Net Book Value (as above) (A)	42,586.15
Less: Deficit in Profit and Loss account considered as Profit and Loss account of the Company	(20,062.60)
Add: Securities Premium considered as Securities Premium of the Company	42,642.21
(B)	22,579.61
Balance (C) = (A) - (B)	20,006.54
Equity Shares issued to Shareholders of MGLRCL (D)	5,345.59
Preference Shares issued to Shareholders of MGLRCL (E)	1,000.00
Amount Transferred To General reserve (F) = (C) - (D) - (E)	13,660.95

The Preference Shares issued by the Company and held by MGLRCL viz. 425,000,000, 0.01% Compulsorily Convertible Preference Shares of Rs. 10/- (Rupees Ten Only) each, aggregating to Rs. 4,250,000,000/- (Rupees Four Hundred and Twenty Five Crores Only) has been cancelled and no preference shares have been issued as MGLRCL has been amalgamated with the Company pursuant to the Scheme. Increase in Authorised Share Capital of the Company on account of merger was as under:

Particulars	No. of Shares	Rs in Lakhs
Equity Shares of Rs. 10 each	270,000,000	27,000.00
8 % Cumulative Redeemable Preference Shares of Rs. 10 each	10,000,000	1,000.00

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 2016-2017 (Nos.)	Nil	116,452,707.94	116,452,707.94	Nil
Units of Mutual Funds 2015-2016 (Nos.)	Nil	294,497,071.77	294,497,071.77	Nil
Stock of Securities 2016-2017 (Rs. in lakhs)	33,020.01	1,119,946.25	1,094,687.74	58,278.52
Stock of Securities 2015-2016 (Rs. in lakhs)	46,756.69	691,233.35	705,977.21	33,020.01



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

13. 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./Asset Classification Details	Under CDR Mechanism				Under SME Debt Restructuring Mechanism					
	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	3	-	-	-	-	-
Amount outstanding	2,733.71	2,922.07	-	200.00	5,855.77	-	-	-	-	-
Provision thereon	750.00	2,488.50	-	200.00	3,438.50	-	-	-	-	-
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
Amount outstanding	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
5 Downgradations of restructured accounts during the year ended March 31, 2017										
No. of borrowers	(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	1	-	-	-	-	-
Amount outstanding	-	-	-	200.00	200.00	-	-	-	-	-
7 Restructured Accounts at March 31, 2017										
No. of borrowers	-	2	-	-	2	-	-	-	-	-
Amount outstanding	-	5,488.84	-	-	5,488.84	-	-	-	-	-
Provision thereon	-	5,489.09	-	-	5,489.09	-	-	-	-	-



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees in Lakhs)

13. 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.	Asset Classification Details	Under CDR Mechanism				Under SME Debt Restructuring Mechanism													
		Standard	Sub-Standard	Doubtful	Loss	Standard	Sub-Standard	Doubtful	Loss										
1	Restructured Accounts at April 1, 2015																		
	No. of borrowers	1	1	1	2														
	Amount outstanding	2,780.17	2,922.07	-	407.08														
	Provision thereon	-	1,913.50	-	354.58														
2	Fresh restructuring during the year ended March 31, 2016																		
	No. of borrowers	-	-	-	-														
	Amount outstanding	-	-	-	-														
	Provision thereon	-	-	-	-														
3	Upgradations to restructured standard category during the year ended March 31, 2016																		
	No. of borrowers	-	-	-	-														
	Amount outstanding	-	-	-	-														
	Provision thereon	-	-	-	-														
4	Restructured standard advances at April 1, 2015, which cease to attract higher provisioning and/or additional risk weight at March 31, 2016 and hence need not be shown as restructured standard advances at April 1, 2016																		
	No. of borrowers	N.A	N.A	N.A	N.A														
	Amount outstanding	N.A	N.A	N.A	N.A														
	Provision thereon	N.A	N.A	N.A	N.A														
5	Downgradations of restructured accounts during the year ended March 31, 2016																		
	No. of borrowers	-	-	-	-														
	Amount outstanding	-	-	-	-														
	Provision thereon	-	-	-	-														
6	Write-offs of restructured accounts during the year ended March 31, 2016																		
	No. of borrowers	-	-	-	1														
	Amount outstanding	-	-	-	207.08														
7	Restructured Accounts at March 31, 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														



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued)

for the year ended 31 March, 2017

(Currency: Rupees 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.	Asset Classification Details	Type of Restructuring					Others					Total		
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Doubtful	Loss	Total
1	Restructured Accounts at April 1, 2015	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	1	-	1	-	-	1	-	-	-	-	-
	Amount outstanding	-	-	4,383.19	-	4,383.19	-	-	2,780.17	-	2,780.17	-	-	4,383.19
	Provision thereon	-	-	1,513.33	-	1,513.33	-	-	-	-	-	-	-	1,513.33
2	Fresh restructuring during the year ended March 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year ended March 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances at April 1, 2015, which cease to attract higher provisioning and/or additional risk weight at March 31, 2016 and hence need not be shown as restructured standard advances at April 1, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year ended March 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year ended March 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts at March 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	1	-	1	-	-	1	-	-	-	-	1
	Amount outstanding	-	-	4,083.08	-	4,083.08	-	-	2,733.71	-	2,733.71	-	-	4,083.08
	Provision thereon	-	-	4,083.33	-	4,083.33	-	-	750.00	-	750.00	-	-	4,083.33
	Sub-Standard	-	-	-	-	-	-	-	-	-	-	-	-	-
	Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-	-	-	-

The outstanding amount and number of borrowers as at 31 March, 2017 and 31 March, 2016 is after considering recoveries during the year.



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued) for the year ended 31 March, 2017

14. Disclosure pursuant to RBI circular DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10,2014.

14.1 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.

14.2 Penalties levied if any during the year:

Nil

14.3 Investments

Particulars		(Rs.in Crores)	
		31 March, 2017	31 March, 2016
(1)	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	869.86	500.31
	(b) Outside India,	-	-
	(ii) Provisions for Depreciation		
	(a) In India	9.79	7.71
	(b) Outside India,	-	-
	(iii) Net Value of Investments		
	(a) In India	860.07	492.60
	(b) Outside India,	-	-
(2)	Movement of provisions held towards depreciation on investments.		
	(i) Opening balance	7.71	0.74
	(ii) Add : Provisions made during the year	2.08	7.50
	(iii) Less : Write-off / write-back of excess provisions during the year	-	0.53
	(iv) Closing balance	9.79	7.71



Aditya Birla Finance Limited

Notes to the Financial Statements (Continued) for the year ended 31 March, 2017

14.4 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of P&L	(Rs.in Crores)	
	31 March, 2017	31 March, 2016
Provision for depreciation on Investment	2.08	7.50
Provision towards Non Performing Assets	35.94	50.75
Provision made towards Income tax (Net of Deferred Tax)	246.68	217.75
Other Provision and Contingencies (with details)		
- Investments Written off	-	0.52
- Bad debts/Advances Written off	49.46	25.24
- Provision for Doubtful Debts and advances written back	(50.89)	(24.46)
- Provision for diminution in Current Investment written back	(0.04)	(2.22)
- Change in Carrying Value of Current Investment	0.22	0.04
- Provision for diminution in Long Term Investment written back	-	(0.52)
- Provision for Premium on Investment written back	-	(3.37)
Provision for Standard Assets	41.91	32.72
Provision for Soft Accounts	20.23	-

14.5 Concentration of Advances

Particulars	(Rs.in Crores)	
	31 March, 2017	31 March, 2016
Total Advances to twenty largest borrowers	5,285.07	4,440.22
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	15.89%	17.80%

14.6 Concentration of Exposures

Particulars	(Rs.in Crores)	
	31 March, 2017	31 March, 2016
Total Exposure to twenty largest borrowers / customers*	5,285.07	4,440.22
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	15.89%	17.80%

* 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, 2017

14.7 Concentration of NPAs

Particulars	(Rs.in Crores)	
	31 March, 2017	31 March, 2016
Total Exposure to top four NPA accounts	82.22	106.95

14.8 Sector-wise NPAs

Sr No.	Sector	31 March, 2017	31 March, 2016
		Percentage of NPAs to Total Advances in that sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	99.61%	98.94%
2	MSME	0.00%	0.01%
3	Corporate borrowers	0.41%	0.60%
4	Services	0.01%	0.01%
5	Unsecured working capital loans	0.00%	0.00%
6	Auto loans	0.00%	0.00%
7	Other personal loans	1.10%	1.31%

14.9 Movement of NPAs

Particulars	(Rs.in Crores)	
	31 March, 2017	31 March, 2016
(i) Net NPAs to Net Advances (%)	0.21	0.22
(ii) Movement of NPAs (Gross)		
(a) Opening balance	157.17	152.99
(b) Additions during the year	57.91	45.22
(c) Reductions during the year	(57.90)	(41.04)
(d) Closing balance	157.18	157.17
(iii) Movement of Net NPAs		
(a) Opening balance	55.73	77.84
(b) Additions during the year	28.18	(5.53)
(c) Reductions during the year	(13.22)	(16.58)
(d) Closing balance	70.69	55.73
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	101.44	75.15
(b) Provisions made during the year	29.72	50.75
(c) Write-off / write-back of excess provisions	(44.67)	(24.46)
(d) Closing balance*	86.49	101.44

* 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, 2017

14.10 Credit Rating

Instrument	Credit Rating Agency	31 March, 2017	31 March, 2016
Commercial Paper	ICRA Limited	A1+	A1+
Non Convertible Debentures (NCD)	CARE Limited ICRA Limited India Ratings & Research Private Limited	CARE AA+ [ICRA] AA+ Stable IND AA+ Stable	CARE AA+ [ICRA] AA+ Stable IND AA+ Stable
Sub Debt	CARE Limited ICRA Limited India Ratings & Research Private Limited	CARE AA+ [ICRA] AA+ Stable IND AA+ Stable	CARE AA+ [ICRA] AA+ 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+

14.11 Customer Complaints

Sr. No.	Particulars	31 March, 2017	31 March, 2016
(a)	No. of complaints pending at the beginning of the year		
(b)	No. of complaints received during the year	3	-
(c)	No. of complaints redressed during the year	45	31
(d)	No. of complaints pending at the end of the year	48	28
		-	3

14.12 Disclosures pursuant to RBI Notification No. DNBR. 019/CGM (CDS) - 2015 dated April 10, 2015 are shown in note 23 (14) of notes to the financial statements 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, 2017
(Currency: Rupees in Lakhs)

15. Details of Specified Bank Notes (SBN) held and transacted during the period 8 November, 2016 to 30 December, 2016

	SBNs	Other denomination notes	Total
Closing cash in hand as on 8 November, 2016	-	-	-
(+) Permitted receipts (Refer note below)	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	-	-	-
Closing cash in hand as on 30 December, 2016	-	-	-

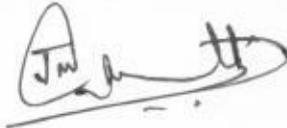
Note:

During the notified period the customers of the Company have directly deposited cash amounting to Rs.69.40 lakhs in the bank account of the Company held with scheduled banks. Company has not transacted in the SBN's and accordingly the Company did not have any cash balance as on 08.11.2016 and 30.12.2016.

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

17. Pursuant to merger of wealth management undertaking of Aditya Birla Money Mart Limited(ABMML) (Refer note 11 (i)), the figures of current year are not comparable to those of the previous year.

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



per Jayesh Gandhi
Partner
Membership No: 037924

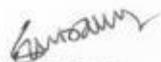
For and on behalf of the Board of Directors of
Aditya Birla Finance Limited



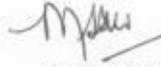
Ajay Srinivasan
(Director)
(DIN - 00121181)



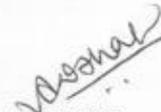
B. N. Puranmalka
(Director)
(DIN - 00007432)



Sanjay Miranka
(Chief Financial Officer)



Sekhar Mosur
(Manager)



Ankur Shah
(Company Secretary)

Place: Mumbai
Date: 08 May, 2017

Place: Mumbai
Date: 08 May, 2017



Key